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West Europe Report



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28 March 1986

WEST EUROPE REPORT

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POLITICAL

EUROPEAN AFFAIRS

STUDY SHOWS PEACE MOVEMENT UNLIKELY TO REVIVE SOON

Bonn DAS PARLAMENT (AUS POLITIK UND ZEITGESCHICHTE supplement) in German
1 Feb 86 pp 38-46

[Article by Wilfried von Bredow and Rudolf H. Brocke: "The West European Climate of Opinion During the Early 1980's"]

[Excerpt] How then is the crisis perception of the peace movements related to the population's climate of opinion? Could it be possible that during the last few years the whole of Western Europe or individual countries have undergone a fundamental change in their ideas of what constitutes a threat? The data intended to answer these questions come from public opinion research and require cautious handling.

Since social protest movements only exist in connection with social crises, it is possible, when selecting such data to concentrate on expressions concerning fears and hopes about the future. It is only reasonable to look for an answer to the question of how widely spread and how intense fear of war is. Of interest in Table 1 are less the percentage numbers than the emergence of a trend. The question was to judge the danger of another world war within the next decade.

Table 1 displays impressively the course of a set of themes that had boosted the peace movements in Western Europe between 1977 and 1983 and thereafter had returned them rather abruptly to their point of departure. But also, women and younger people (15 to 24 years of age) in 1984 showed on the average more concern than men and older people.

Table 1. Threat of War Within the Next 10 Years

Question: Do you think it "probable" that there will be another world war within the next 10 years? (percentage of 100 persons asked)¹

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u> ²
July 1971	8	--	11	12	--	13	7	11	--	--	12
October/November 1977	21	10	13	14	14	14	11	17	13	--	14
April 1980	33	18	25	42	31	32	15	24	39	--	34
October 1981	32	--	32	25	28	18	27	20	21	8	24

[Table continued on following page]

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u> ²
October 1982	20	10	19	20	25	14	19	19	17	9	18
October 1983	17	15	18	24	27	18	14	13	17	12	19
October 1984	16	13	14	13	18	12	15	21	14	10	13

¹The "probable" category comprises those groups of persons who assign a higher than 50 percent chance to the risk of another world war.

²Weighted mean.

Source: Euro-Barometer No 21/22, December 1984.

Key:

- | | |
|------------|------------------------|
| 1. Belgium | 7. Luxembourg |
| 2. Denmark | 8. Netherlands |
| 3. FRG | 9. UK |
| 4. France | 10. Greece |
| 5. Ireland | 11. European Community |
| 6. Italy | |

In 1982 a representative cross section of the European Community was shown a list with 10 items and the question was asked: In your opinion, which of these great objectives on this list are worthwhile to take risks and to make sacrifices for these days?

Table 2. Listing of Political Objectives According to Priority Within the European Community

1. Peace	60%
2. Human rights	44%
3. Fight against human misery	40%
4. Freedom of the individual	40%
5. Protection of the environment	35%
6. Defense of the nation	23%
7. Religious creed	16%
8. Equal rights between the sexes	16%
9. European unification	11%
10. Revolution	3%
No opinion	7%

Source: "Die Europaeer ueber sich selbst. Zehn Jahre Euro-Barometer 1973-1983" (Europeans About Themselves: 10 Years of Euro-Barometers 1973-1983), edited by the Office for Official Publications of the European Community, Luxembourg, 1983, p 39.

The way the question is put, however, entices individuals with the most different motivations, such as soldiers and activists in the peace movement, to put the objective of peace with good conscience at the top of the list.

Results of applied sociology suggest the assumption that security needs regarding external threats rank in their general validity only behind economic

security needs. (Footnote 10) (See for example: K. Arzberger and others, "Die Buerger. Beduerfnisse, Einstellungen, Verhalten" [Citizens. Their Needs, Attitudes and Behavior], Koenigstein/Ts. 1979) Whenever economic development is painted all in gray, the fear of war seems to rise faster than normal in a kind of skipping effect.

In any case, such a connection is shown in Table 3. The questions focused on important social problems and had to be ranked on a value scale ranging from 4 (very important) to 1 (not important at all). A difference of less than 0.13 is not significant.

The multitude of numbers is confusing only at first glance. They reflect an extremely stable structure of the way the people questioned perceive problems within a given society as well as among different societies. The problem of employment heads the list of concerns in all countries. Second position is shared by environmental and terrorist problems.

It is safe to assume, therefore, that the data collected in 1982 concerning fears and hopes about the future in the European Community are basically the same for all countries and are valid for the first two-thirds of the 1980's (Table 4).

The data show that a heightened fear of war and an increased desire for peace can be understood only in connection with a generally rather pessimistic outlook on the future and as subordinated to economic security needs.

The data spread on the topic specifically taken up by the peace movements show an uneven distribution of opinions in Western Europe. In 1981, the question of what constitutes the greatest threat to the country: the presence of Soviet missiles in Eastern Europe, or the planned deployment of NATO medium-range missiles in Western Europe, resulted in answers shown in Table 5.

How strongly the result of a poll is influenced by the specific questions becomes clear in a Gallup poll. The question was whether the development of U.S. medium-range missiles will increase or decrease the threat of an attack on Europe. (Compare Table 6)

The notorious question concerning an alliance (with the USA or the USSR?) brought the answers in Table 7.

The ranking of the consistently strong desire for neutrality in this last poll has been influenced by the phrasing of the question. It is all too easy to associate the notion of neutrality with the possibility of keeping the nation out of unpleasant East-West wranglings. In 1981 about 35 percent of the people polled in the Federal Republic of Germany came out in favor, and about 63 percent against a neutrality based on the Austrian model. (Footnote 11) (DER SPIEGEL, 1981, 49, p 103) Yet they advocated, up to 45 percent, a greater distance from the USA if the USA should demand that West Germany line up its policy with the USA's East European policy of confrontation. (Footnote 12) (Ibid., p 103) One can assume, therefore, that--with the possible exception of France--the stated desire for neutrality reflects the conviction that it is necessary to distance oneself from a rather confrontational American foreign policy.

Table 3. Central Problems in the European Community

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>
Unemployment											
May to June 1976	3.72	3.76	3.66	3.75	3.85	3.47	3.73	3.63	--	3.72	
November 1976	3.80	3.88	3.80	3.78	3.88	3.78	3.63	3.81	3.69	--	3.77
October to November 1978	3.79	3.85	3.63	3.80	3.84	3.79	3.38	3.78	3.73	--	3.74
October 1983	3.68	3.83	3.77	3.77	3.86	3.82	3.64	3.74	3.76	3.79	3.78
Terrorism											
October 1973	3.41	3.78	3.36	3.58	3.56	3.72	3.22	3.42	3.66	3.50	3.56
Protection of the Environment											
May to June 1976	3.53	3.70	3.36	3.73	3.38	3.46	3.57	3.58	3.41	--	3.49
November 1976	3.64	3.75	3.60	3.68	3.40	3.66	3.77	3.66	3.38	--	3.58
October to November 1978	3.54	3.65	3.46	3.56	3.37	3.60	3.27	3.67	3.41	--	3.52
October 1983	3.38	3.79	3.63	3.45	3.25	3.56	3.64	3.46	3.41	3.68	3.52
Energy Supply											
October 1983	3.39	3.73	3.40	3.36	3.47	3.35	3.46	3.24	3.53	3.41	3.41
Superpower Relations											
May to June 1976	2.95	3.13	2.91	3.22	3.08	3.06	3.04	2.90	3.12	--	2.95
November 1976	3.19	3.22	3.15	3.36	3.05	3.26	3.05	3.17	3.14	--	3.22
October to November 1978	3.26	3.17	3.19	3.31	3.01	3.21	3.02	3.16	3.18	--	3.21
October 1983	3.14	3.33	3.21	3.37	2.86	3.28	2.84	2.99	3.37	3.53	3.28
Bridging the Gap Between Rich and Poor											
May to June 1976	3.17	3.12	2.88	3.33	3.19	3.45	3.31	3.11	2.57	--	3.06
November 1976	3.23	3.23	2.93	3.48	3.20	3.59	3.13	3.23	2.54	--	3.15
October to November 1978	3.33	3.16	2.84	3.47	3.22	3.42	3.02	3.41	2.42	--	3.07
October 1983	3.34	3.03	3.11	3.24	3.31	3.33	3.23	3.18	2.95	3.44	3.17

[Table continued on following page]

Narrowing Regional Differences Within One's Own Country

	1	2	3	4	5	6	7	8	9	10	11
May to June 1976	2.81	3.11	2.52	3.00	3.19	3.28	3.15	2.98	2.79	--	2.90
November 1976	2.98	3.24	2.82	3.22	3.23	3.37	3.10	3.07	2.96	--	3.08
October to November 1978	2.94	3.09	2.80	3.20	3.17	3.38	2.85	3.10	2.92	--	3.07
October 1983	3.03	2.90	2.79	3.06	3.05	3.13	2.93	2.80	3.05	3.30	3.04

Aid to Poor Countries

October to November 1978	2.64	2.98	2.36	2.85	2.84	3.09	2.82	2.97	2.46	--	2.76
October 1983	2.78	3.11	2.89	2.89	2.68	2.87	2.98	2.90	2.73	2.84	2.85

Strengthening Defense

May to June 1976	1.97	2.53	2.43	2.51	2.58	2.24	2.25	2.45	2.98	--	2.51
November 1976	2.22	2.64	2.66	2.61	2.93	2.44	2.19	2.81	3.02	--	2.68
October to November 1978	2.25	2.59	2.85	2.50	2.91	2.34	2.03	2.47	3.19	--	2.70
October 1983	2.66	2.65	2.60	2.81	2.67	2.44	1.94	2.49	3.15	3.39	2.75

Source: Euro-Barometer, 20 December 1983, p 44

(Value scale ranges from: 1 = "not at all important" to 4 = "very important")

Key:

- 1. Belgium
- 2. Denmark
- 3. FRG
- 4. France
- 5. Ireland
- 6. Italy
- 7. Luxembourg
- 8. Netherlands
- 9. UK
- 10. Greece
- 11. European Community

Table 4. Hopes and Fears for the Future Within the European Community
(in percent)

Hopes for the Future:

Development of science and technology	39%
Understanding and amity among people	35%
Better standard of living	31%
Better quality of life	30%
Understanding between industrial nations and Third World countries	27%
Better East-West relations	25%
Higher moral values	21%
Relations among different regions (and the capital)	17%
Unification of Europe	17%
None of the above	9%

Fears of the Future:

Increased crime and terrorism	71%
Increased unemployment because of automation	66%
Destruction of nature through all kinds of pollution	57%
Progressively more unnatural living conditions (shelter, traffic, nutrition)	41%
Increased social tensions leading to unrest	38%
Critical sharpening of tensions in international relations	35%
Risks caused by the interference of medicines and pharmaceuticals	29%
Serious disruption in oil and natural gas supplies	23%
Market flooding by cheap products from the Far East	20%
Decline of your country's influence in Europe	14%
Decline of Western Europe's influence on the world	10%

Source: "Die Europaeer ueber sich selbst. Zehn Jahre Euro-Barometer 1973-1983," edited by the Office for Official Publications of the European Community, Luxembourg, 1983, p 38 f.

Table 5. What Is the Greater Threat to Security in 1981 (in percent)

	France	FRG	UK	Nether-lands	Italy
The presence of Soviet missiles in Eastern Europe	41	58	43	29	14
Planned deployment of medium-range missiles in Western Europe	19	33	29	24	15
Both	7	2	--	31	60
Do not know	33	7	28	16	11

Source: H.-E. Radbruch, The Italian Peace Movement, in: H.-U. Kohr/H.-R. Rader (Ed.), New Social Movements and the Perception of Military Threat in Western Democracies, Munich, 1983, (SOWI Forum, 3), p 142.

Table 6. U.S. Missiles: Threat or Security" 1982 Poll (in percent)

	<u>FRG</u>	<u>Belgium</u>	<u>France</u>	<u>Denmark</u>	<u>UK</u>	<u>USA</u>
Increasing danger	28	34	31	28	44	16
Decreasing danger	43	36	40	39	31	62
No effect	29	30	29	33	25	22

Source: DER SPIEGEL, (1982) 10, p 97.

Table 7. Alliance Preferences in 1981 in Western Europe (in percent)

	<u>France</u>	<u>FRG</u>	<u>UK</u>	<u>Nether-</u> <u>lands</u>	<u>Italy</u>
Alliance with the USA	30	51	43	39	24
Alliance with the USSR	3	2	1	1	5
Neutrality	58	44	46	55	55
Do not know	9	3	10	5	16

Source: DER SPIEGEL, (1982), 10, p 143.

We conclude from the material presented here and from extensive additional material that the sympathy with the most general objectives of the peace movements among the Western Europeans and also, by the way, among the population of the United States was at first only a reflex reaction to increasing tensions in the sphere of world politics and must be understood against a background of economic insecurity. This sympathy wanes considerably in the case of individual or specific objectives of the movement. In none of the NATO countries with general parliamentary election between 1979 and 1983 did the peace movement succeed in deciding an election. Those parties which pushed this issue to the foreground in their own fight for election had to swallow bitter defeats.

The Future of the Security Policy Protest

One can try to answer the question about the future of the security policy protest movements in various ways. All of these movements in Western Europe have, despite all of their structurally inherent similarities, a specific profile which is determined by the political traditions, the culture and social and political conditions of the individual Western European societies. But even when one ignores as much as possible their respective idiosyncrasies, one still finds approaches that differ.

The thematic approach stresses not only the schematic course of a specific set of topics, it also asks for future developments within a subject field (in this case security policy) which has the potential to spawn fresh component topics with the power to set things in motion.

Between 1977 and 1983, the West European peace movements could very nicely take advantage of a set of topics centering around two themes: the neutron

bomb and NATO's two track option. The latter, actually intended as an arms control measure by its creators, has affected the intensity and duration of this set of themes up to 1983. The discussion of a somewhat complex topic does not altogether end whenever a set of issues has peaked and is on its way down, but it has lost its power to move people. Such a curve can be observed on several occasions in the history of the Federal Republic, and even somebody trained in sociology is surprised again and again how fast the decline occurs and how an issue loses its explosive appeal to the public practically from one day to the next. That was the case, to name only two examples, with rearmament and also with the issue of emergency legislation. Similarly, the issue of missile deployment has lost its popular appeal since November 1983.

But what is happening in the thematic field of security policy as a whole? There are indications that the activist nucleus within the peace movement is groping for a "new" publicity getting theme to move the masses, even though the newly found issues have barely survived their first tests, partially because they are too specialized, such as the "Airland Battle," or because they are (still?) too fuzzy, such as the topic of "Strategic Defense Initiative."

Basically, though, the subject area of security policy will still be of interest in the future because of its "socio-dynamic" aspect. The military risk inherent in the East-West conflict can only be rendered calculable and manageable through an efficient, antagonistic cooperation, especially between the USA and the USSR. That way, the sector of global, inter-systems competition as well as the sector of defense capability will display a willingness for defense. The temptation "to escape from the East-West conflict," which the West Europeans in particular will have to face and among them the West Germans for quite some time to come, because of their national problems, will very likely heighten its attraction if the economic and political problems within the industrial states of the West keep up or even increase their pressures on the Western alliances.

This brings us to a second approach which could be called socio-dynamic. The question here is what kind of people support this political protest and what is the social and cultural framework for its formation. Within this context, the mobilizing issue in its narrower sense remains of secondary importance in the long run. What then is the make-up of the scope and structure of Western Europe's protest potential?

Firmly entrenched here is the initial hypothesis that problems dealing with economic security overshadow all others and create the very conditions which nourish social dissatisfaction and political protest. It is important to note here that the perception of a socially uneven and unfair distribution of the burden and consequences of a crisis is more important than the existence of a general economic insecurity. Among other things, one must mention here the distribution of the risk of unemployment.

Prognoses about the social make-up of protest supporters are more difficult. The group most capable of stirring up conflict within the protest potential

consists of the young of the middle class. During the last few years, two different attitudes toward opposition have emerged. On the one hand there is neoconservatism and on the other are social movements which have come into being since 1968. The goals of both groups overlap in a somewhat stunning way. Both want to open up new future chances for themselves and for society and both favor the idea of radicalizing the middle class. This puts pressure on the political power constellations which have developed after 1945--for example, the traditional parties of the center. Active support of social conflicts will very likely remain with the young of the middle class.

It is unlikely that the new social movements will be able to develop further thematically. The peace movement, as one element of these movements, will stage a come-back again and again even after it has faded away into segmented groups of themes and protests because its leitmotif of peace is unrivaled in its coverage, and it will soon try to voice its protest effectively against everything under the sun.

It is important in this context to keep a keen eye on the differences among individual West European societies, because this depicted "feud" within the middle class varies everywhere a bit from neighbor to neighbor. For this reason, there is no uniform answer to the question when and how the new middle class radicalism will turn to the people next. Apart from that, there is not only no agreement among the observers but also not among the strategists of new social movements and the peace movement. This can be seen, for example, in disputes in the Federal Republic and in the Netherlands after 1983 (the two most interesting examples). Some among the last mentioned strategists want to turn into "better" socialists or social democrats to become heir to the respective parties. Others think such a strategy wrong, because it cannot get majority support. Thus, they do not want to detour around the conservative parties, instead they want to break into the conservative camp of the population with themes such as the protection of the environment and of nature. Ways for such a strategy offer themselves indeed in the Federal Republic with the use of the theme of reunification.

If one uses public opinion research as a basis, one realizes that the new social movements and the peace movement will have greater freedom of movement on the right of the political-ideological right/left scheme. They have already deeply penetrated the left spectrum and are encountering limits to their potential. In contrast it must be stressed that the national-revolutionary elements of the new social movements, which have everywhere been given little attention, are structurally inherent and are not aberrations by right-wing splinter groups. It is unlikely that this "development to the right" can be squared with the more socialist and international oriented directions within the movements. However, such an amalgamation is not entirely out of the question. If it came to that, the political system would get cornered in a disastrous way.

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POLITICAL

BELGIUM

MARTENS ON BUDGET DEFICIT, REGIONAL ISSUES

Brussels LA LIBRE BELGIQUE in French 14 Feb 86 p 2

[Interview with Prime Minister Wilfried Martens by Guy Daloze, Eric de Bellefroid, Pierre Loppe and Francis Van de Woestyne on 13 February 1986 in Brussels]

[Text] The following are the statements made to our reporters on Thursday afternoon by Prime Minister Wilfried Martens, who met with us on this occasion in the room generally used for the work of the Ministerial Economic and Social Coordination Committee.

[Question] This Thursday marks 4 months to the day since the voters, in a veritable "plebiscite," confirmed your coalition and your policy. However many people regret that it has taken you a certain time, perhaps too much, to "get off the ground." There is the feeling that things have been dragging for 4 months and that you are pursuing a hit or miss policy.

[Answer] With the exception of the first 3 months, 1985 was a lost year in terms of the budget. Major decisions had been adopted on 15 March concerning the missiles and the updating of the government program, but they were followed by the drama of the Heysel affair and all its consequences.

I must say that the deterioration in the budget began above all in the month of October, the election month. Until September, the difference from the 1984 figure was only 7 billion, and then suddenly we saw a gap of 11.7 billion in October, 19.8 in November and 49.4 in December. The last 3 months were a real catastrophe!

The slippage, it must be realized, was due to the extent of 35 percent (about 21 billion) to fiscal depreciation, to the extent of 20 percent (12 billion) to nonfiscal depreciation, related to the changes in the dollar and the foreign exchange rates. Another 35 percent (in the neighborhood of 20 billion) was due to treasury operations, and only 10 percent (6 billion) to additional expenditures.

Greater Special Powers

[Question] However, there were also more political factors.

[Answer] The balloting was in fact plain and clear, but it was not all of a piece. While three of the four coalition parties won reelection, a fourth, the PVV, lost. The pregovernmental negotiations were then provided an opportunity to repair the damage. And thus things moved relatively slowly.

It is also necessary to realize that a basic choice was made in the course of these negotiations. Taking the circumstances with which one must work in Belgium into account, we decided to request special powers. But we refused to go into detail about the corrective measures, about Stuyvenberg. The specific political decisions will be made by the government within the framework of the 1986 ways and means budget, but it will cover 2 years, 1986 and 1987. These decisions will be implemented prior to 31 July 1986.

[Question] Was it necessary for this purpose to have new special powers?

[Answer] The system was improved, since the parliament is called upon to confirm and, if necessary, amend, the decisions made by the government within 3 months. This is entirely new. It is a basic improvement and it is the democratic way which we must pursue in the budget sector in Belgium. Otherwise, opposition from all kinds of pressure groups would be created, as of the beginning of the discussions on the specific content of the measures, and this might paralyze the majority and the parliament. Whether the issue is community matters or harsh measures and austerity, the Council of Ministers remains the final body capable of adopting a decision, which the parliament confirms afterwards.

This budgetary correction has become a true obsession for me, and I linked my personal political fate with the success of this operation. The government must demonstrate in fact that it is capable of making the necessary political decisions in 6 months.

[Question] Is this as personal a commitment as that which caused you to resign in 1981, when the socialists did not support you on devaluation and the accompanying measures?

[Answer] It is indeed. Being prime minister does not mean being content with having a desk at 16 rue de la Loi. It means wanting to do something positive and valuable, to become basically involved.

The National Bank report gave us three positive points--stabilization of unemployment, recovery of the major foreign balances (including the balance of payments), and declining inflation. There was however one negative point, the public debt. And this is the vicious circle I want to interrupt.

This is my commitment, let no one doubt it! It must be realized that I felt no sense of triumph after the elections. Quite the contrary, because I knew that a burdensome new task had been entrusted to me.

Three Quarters Accomplished

[Question] However, you said prior to 13 October that we had covered three quarters of the road.

[Answer] And I still say so! I have never concealed the fact that the dark area remained public finance, but three quarters of the path has been covered, because we have corrected the situation in many sectors. Look at the renewed competitive capacity of enterprises, confirmed just today by the Central Economic Council, as well as the battle against inflation, employment and the foreign balances.

[Question] Renewed competitive capacity? That is not the view of the FEB [Federation of Belgian Enterprises].

[Answer] I do not say that there is no need to make a new effort to maintain this competitive capacity, but it would be going too far to claim that we are in the same position as in 1981. This Friday, I will propose to the government that the social partners be summoned on 25 February to examine the objective data provided by the experts.

The Burden of the Public Debt

[Question] In the realm of public finance, there is some feeling that Martens V has done nothing.

[Answer] Let us be clear. Public finance is in fact the dark area. But one cannot jump from that to saying that nothing has been done. The report of the National Bank, page 104, says that the net financing needs of the public bodies came to 16.4 percent of the gross domestic product in 1981 and 13 percent in 1985, or 10.3 percent in European terms (this is found in the report).

There has thus been an improvement, although the figure for 1984 was 12.6 percent. It is true that interest costs have increased. They came to 8 percent of the gross domestic product in 1981, and they come to 11 percent today. It is there that the major problem lies. If it were not for this cancer, we would have reached 10 percent.

[Question] What major mechanisms will you have to change in order to limit expenditures?

[Answer] I believe that everyone should leave his taboos at the door. You are aware of the reasons for the public finance deficit. They are the interest charges on the debt, the operational losses of the public enterprises, transfers to private persons and enterprises. Thus we must act in these three sectors.

Conversion to the Private Sector

[Question] And will the list of proposals to limit expenditures include the possibility of transferring some public services to the private sector?

[Answer] I have had occasion to examine two public enterprises more closely. I became the sponsoring minister of communications, posts, telephones and telegraph. The report of the consulting team on postal services was submitted to me. This provides an important example of the potential for in depth improvement while modernizing.

The conclusions of the experts on the consulting team did not suggest conversion to the private sector at all. They advised us to make better use of the potential found in particular in our railroad network, the densest in Europe, to win back the clientele we had lost, and to make this service profitable again. And the annual allocation of 8 billion which goes today to pay the 10,000 supernumeraries, and badly at that, could then be put into investments. In such a case, then, it is possible to modernize and improve without conversion to the private sector.

The RTT [Telegraph and Telephone Administration] is another case. I am persuaded that this administration should provide the infrastructure which I call "the roads of the future." But I believe that the entire peripheral infrastructure, the terminals and the telephones, could be transferred to the private sector, on condition that the public authorities still retain the potential for providing the basic infrastructure. It is within this framework that the contract of the century for the renewal of the telephone switchboards will develop.

Government Orders--Who is Right?

[Question] On the subject of government orders, who is right--Mr Maystadt or the CVP?

[Answer] This is still another issue! Mr Maystadt does not reject the agreement reached under the preceding government. We made up a package of six orders and entrusted the establishment of a balance in the distribution of economic compensation to a working group of four ministers, including Mr Maystadt.

He has said that there were other orders in the national defense sector, in particular, which would have to be taken into account in the distribution of compensation.

[Question] Then the musketeers of the CVP are a bit too sensitive?

[Answer] My statement to the parliament, responding to Messrs Schiltz and Tobback, was clear enough. No additional statement was necessary.

[Question] The government also wants to maintain stock market activity. Will there be an extension of the Monory-De Clercq system in 1986?

[Answer] This point will be taken up for discussion by the government when the budget is drafted. It is not possible now to separate this element from the budget effort. Mention has been made of the dissension to be found within

the government concerning the pension savings account. The mistake was made in separating this point from the general context.

Mr Dehaene not only said that he opposes this system, but that it was hard to apply it within the framework of the 1986 budget. Our coming budgetary discussions will cover 2 years, the budgets for 1986 and 1987, and it is within this framework that we will discuss these matters.

[Question] Then there is no question of abandoning the stock market in 1986?

[Answer] No.

[Question] Is the Taxpayers Charter on the agenda for the meeting of the Council of Ministers this Friday?

[Answer] It will be taken up the following Friday. The last discussions on this subject were unfortunate, because there had been perfect agreement in the working group. I was very surprised to learn last week that disagreement existed. On arriving at the rue de la Loi, Mr Eyskens told me that he was removing the proposal from the agenda because there had been an addition submitted by someone ... rather mysterious. It would suffice to eliminate this to have agreement on the balance.

Men of High Caliber

[Question] Mr Verhofstadt seemed in a way to have become the government's chief problem. Doesn't the fact that he publicly rejected new direct or indirect taxes limit you somewhat in your maneuvering room for compensating, for example, for the depreciation resulting from the lower prices on oil products?

[Answer] The government agreement must be respected. The National Bank has just confirmed again that the fiscal pressure in Belgium was among the highest in any European Community nation. It would thus be wrong to increase it. It is entirely possible to carry out the improvements we have planned without increasing the fiscal or parafiscal pressure. Thus I agree with Mr Verhofstadt entirely.

I personally insisted that Mr Verhofstadt join the cabinet. I am pleased that he accepted. I have happy memories of three PVV leaders--the late Mr Vanderpoorten, who had become a close friend, and Messrs De Clercq and Grootjans. I have never had any problems with the PVV leaders, even those who were or who are my competitors in Ghent. It is necessary to encourage all of the men of a certain caliber in Belgian political life.

One of the great challenges this government will have to meet will be achieving as much cohesion as the preceding one did. We have plans for mechanisms to ensure stability in the regional institutions. The only weak point still remains the central government, if the men comprising it do not have the will to succeed.

But I believe that Mr Verhofstadt has the same desire as his predecessors to continue the work undertaken.

Measures Pertaining to Construction

[Question] Yet another specific question on the budget. The TVA [value added tax] on construction will remain fixed at 6 percent until 31 April. What will happen after that?

[Answer] On the basis of two studies which have been made at our request by the Planning Bureau and by McKinsey, we have been able to prepare "packages" of measures, which should be submitted to the social partners toward the middle of March. Thus the final decisions can be made for the construction sector as of 1 May.

[Question] Yes, but what about the TVA?

[Answer] There are several possibilities. In any case, we must count on losing another 15,000 jobs in the construction sector in the next 5 years, if nothing changes.

[Question] Wasn't there too much delay in admitting the "budget slippage" in late 1985 to the public? The people have the impression that something is being concealed from them, and the opposition parties are exploiting this feeling.

[Answer] If there is indeed something I have never hidden, in particular when I said that three quarters of the road had been covered, it was that the problem of the budget remained. I said on a number of occasions, and on television to Mr Spitaels, that there was no question of eliminating the indexing measure.

[Question] The fact remains that people feel that they have been taken, in some way.

[Answer] No. No.

[Question] Surprising figures emerged after the election. There was talk of an additional shortage of some 50 billion.

[Answer] I was surprised as well. After 10 months, the deficit in 1985 was 537 billion. At the same point a year earlier, it was 525, representing a difference of 12 billion, which was not too great. It was after that that the slippage occurred.

[Question] This was not clearly understood.

[Answer] One must go back to the government agreement which clearly specifies that the net balance to be financed will be decreased each year, so that it will be down to 7 percent of the gross domestic product by the end of the legislative term, at the latest. The basic effort will have to do with the 1986 and 1987 budget years. The complex of decisions required for budgetary

correction in 1986 and 1987 will be submitted to the parliament in the general explanation of the income and expenditures budget. Thus all of the measures will be technically perfected prior to the end of July 1986.

I have said and I continue to say that the fate of the government will be determined before that date. I commit myself to this period. The tool we need for this is the special powers. They are much more varied than those Mr de Broqueville or M Van Zeeland had.

Extension of Military Service

[Question] What answer can you give the young people, who are visibly agitated? Isn't Operation "Slaches" in danger of becoming the government's Achilles' heel, in the end?

[Answer] I believe that it is above all the Achilles heel of our society. But no concrete decision has yet been made.

[Question] Is it true, in this connection, that the extension of military service is not imminent?

[Answer] It is imminent. This will certainly be resolved within the framework of the budget decisions. What I fear is the reaction of the young people on all sides, even of the majority. I have the deep conviction that nothing can be done without effort, above all during periods of great change. A number of reactions have been provoked by the society of abundance we have had.

[Question] Military service lasts longer in Belgium than in the other European countries. But why is it that only one young person out of two is doing his civic duty?

[Answer] It is true that there is discrimination. One young person out of four, including the young women, completes military service. What is certain in any case is that, consistent with the government's statement, the laws governing military service and the militia will be revised.

Recourse to career volunteers will be limited; the training, tasks and status of the militia will be improved; and conscientious objectors will be exclusively assigned to tasks which are truly useful to society.

[Question] Could military service be counted as a waiting period, being included in the 150 days discounted preceding unemployment, which would thus be increased to 300 days?

[Answer] When we contemplated the revision of military service, our goal was to achieve greater consistency between those who are required to do military service and the others. We want to correct this discrimination.

[Question] Mr Leysen wants to put the young people who are unemployed to work.

[Answer] I agree that young people should be given vocational experience instead of leaving them idle.

[Question] Along with the existing formulas, could work of collective usefulness, as is done by our neighbors in France, be contemplated?

[Answer] The example set in other countries, in France and in Sweden, might inspire us when unemployment among young people is discussed.

[Question] Do you favor a round table on the unemployment of young people, as suggested by the "boss of the bosses"?

[Answer] The government cannot decide alone. It can discuss this subject with the social partners. This Friday, I will ask the government to move up the social consultation to 25 February, because we have a legal obligation to consider the facts pertaining to competitive capacity. At that time, we can take up unemployment among the youth.

The Social Consensus

[Question] What is the final date for the social consensus?

[Answer] An agreement must be reached within the National Labor Council and it must be made compulsory by royal decree prior to 31 July 1986. Otherwise, the government can intervene with its special powers.

Between now and that time, the government will do everything it can to reach such an agreement. For 6 years now, I have favored a social consensus. I have often been criticized for it, moreover.

From the beginning, we will be involved in the consensus.

[Question] Will this be a "high mass"?

[Answer] Not really. If the social partners decide to talk to each other like adults, we will be grateful. But Mr Leysen himself has told you that the government is involved in everything. How could it be excluded?

[Question] Mr Leysen also said that Limburg has need of a Mother Teresa more than the likes of Mr Gandois. Is this your feeling also?

[Answer] No, because the government is involved, along with the social interlocutors in these sectors, in an extremely delicate agreement. In this connection, moreover, we will have a decisive meeting on 25 March. Holy week!

We are convinced that the five working groups representing the coal mines in Limburg should draft a plan for reform which will limit the operational losses which could be financed in sure and permanent fashion as much as possible. You have seen the reaction of Mr Claes. This will not be simple.

I must express my respect for the trade unions, which have kept their word. The trust which characterized the beginning of this agreement has not been betrayed. This is important.

[Question] In speaking quite recently of the March 1984 law which established de facto regionalization of the national sectors, you said categorically that "the law is the law." How long can you keep up this language? Doesn't the approaching expiration of the allocations suggest the need for overall renegotiation of these agreements?

[Answer] One of the positive aspects of the 5 March 1984 law is that it requires that everyone undertake corrective measures.

It is clear that there will be painful moments for everyone in the transition, but there is no question of abandoning the rigor imposed by this law.

[Question] Will it not be necessary to renegotiate the law, sooner or later?

[Answer] Not necessarily. Two years ago, supplementary social measures were left under national jurisdiction. Apart from the budget allocations, the funds made available are attributable to the regions, with the exception of the social cost.

[Question] Which might enable you to act using diverted resources?

[Answer] Not necessarily. But it is obvious that the same social measures must be provided for the Campine as for the iron and steel sector.

Adherence to the Facts

[Question] And what do you think of the 8-year pact between the PRL [Walloon Party of Liberty and Reform] and the PSC [Christian Social Party]? Is such a thing possible on the national level?

[Answer] The legal national government has 50.2 percent of the votes. This does not happen so often.

It has always been claimed that there was a leftist majority in the Walloon region. Now then, this is not obvious, and the basic result of the 13 October elections was that the majority won a greater victory in the Walloon region and in Brussels than in Flanders. This is a major fact.

I regard it as positive that the PSC and the PRL want to strengthen the impression that the Walloon region is not necessarily leftist or necessarily socialist. As to the pacts, I have been sufficiently familiar with and supportive of them during past years to know that it is extremely difficult to maintain them. Mr Defraigne says that it is necessary to resist another 7 years and 350 days. For my part, I say that it would be extremely difficult to sustain a marriage with Mr Defraigne for 1 month, in view of his temperament!

[Question] You are going to defend the new image of this French-speaking sector in Paris, because you will head the Belgian delegation to the "summit meeting" of French-speaking countries. Does this bother you?

[Answer] I do not suffer from any complexes because Belgium has the great advantage of being able to participate in three sorts of summit meetings of this sort--that of the Dutch-speaking countries, that of the French-speaking countries, and that of the German-speaking countries. And I will participate in each of these three summit meetings as prime minister with the same conviction!

[Question] A last and more personal question. Hasn't Wilfried Martens had enough of preaching "blood, sweat and tears" for years on end? Doesn't he want to move on from Churchill to Kennedy, and to say to the people of Belgium "an end to sacrifice-- let us do something else, all of us together"?

[Answer] I hope that after the surgery which we will have to perform in the spring, I will have an opportunity to say to the people of Belgium that the balances have been reestablished and that the time has come to modernize our country. But everything depends on how serious the surgery--and the convalescence--proves to be. The doctor's instructions must be respected!

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POLITICAL

BELGIUM

VOLKSUNIE PONDERS COURSE AFTER ELECTION DEFEAT

Brussels DE STANDAARD in Dutch 14 Jan 86 p 1

[Article by Manu Ruys: "What is the Volksunie's future?"]

[Text] The Volksunie has, for the second time in seven years, come to a time for reflection. After the failure of the Egmont policy, which reduced the number of Chamber party members from twenty to fourteen seats on 17 December 1978, Frans van der Elst in a pathetic appeal urged a "return to original principles." The recommendation was not very clear, and the efforts to adjust the party's program and policy somewhat were done in an arbitrary and random way. Some distanced themselves from the so-called left-wing in the VU without, however, giving a more precise definition of their own views. An intellectually commendable effort by Schiltz to set in motion a debate, together with his Workgroup 'Flanders Tomorrow,' on the evolution of the Flemish Movement, did not really take off because the nationalist ranks of his party lacked ideological fervor.

The new chairman, Vic Anciaux, devoted himself particularly to healing the wounds inflicted on the party when it tore itself apart during party policy-planning in Egmont Palace and to healing the wounds caused by defeat. His honest amiability had a conciliatory effect. In 1981 the ranks again seemed to have come together. But the defeat of 13 October 1985, the turning away of more than 100,000 voters, and the loss of four Chamber seats have once again crippled the party. The shock of the 13 October '85 defeat had a greater impact than did the shock after the Egmont episode. At that time one still could look upon it as a temporary set-back. The come-back made in 1981 seemed to confirm that. But this time it was not an Egmont episode. The VU could have led the opposition for four years because the government had not made good on a single point of the Flemish VU's program and thus normally one could count on political gains.

The disillusionment was and remains a bitter one, because the turning away of the voters this time points to a deep-seated estrangement. For the first time there is doubt about the management, the reason for the existence of, and the future of the nationalist party.

Anciaux, after the defeat, immediately resigned his seat. Wisely, the resignation was not accepted, because the departure of the man, who is revered by all, would have created a void which would have heightened the trauma even more. It was clear that the chairman would not serve his full term in office. All he would do is prepare for and oversee the succession. That process is now going on. In some ten days the party council is going to discuss the election defeat. In the spring a party congress will draw conclusions from the evaluation. In the fall there will be a new party leadership.

The Volksunie is facing a double task. There is discontent throughout the nationalist ranks with a number of people who led the movement for a very long time both in Parliament and in the party. Younger party members are not happy with the generation that received power in the sixties and kept it until now, without allowing new members and new ideas to rise to the top. The younger members call for new faces. They feel themselves hindered in their desire to give nationalism a contemporary look (the three ex-members of Parliament who were recently chosen for the party leadership, does not quite indicate that the renovation has begun).

Furthermore, there is a great need for clarity where ideology is concerned. The discord is about more than just a simple matter. Differences of opinion range from ethical problems in foreign and defense policy to matters concerning the Green Party or matters of less importance. From Nelly Maes via Andre Geens, Van Grembergen, Gabriels, Sauwens, Valkeniers to Walter Peeters and Bob Maes the color spectrum ranges from bright red to classic black-yellow. There is a lot of pulling and pushing going on. Much bickering, and argumentation on restructuring the state. The label "confederalism" which should explain everything, explains nothing. It is like a rubber band that is supposed to hold a package of vague propositions together, but fails to do so. Lately, there has been a tendency (among a majority of the rank and file?) to neutralize the party's "progressives" and to return to the traditional values of the Flemish movement, but nobody seems to be able to formulate that in clearer language. A strong personality with sufficient education, experience, imagination and dynamism to inspire the party and to keep it in balance is lacking. That is why a man like Hugo Schiltz is still in his post. If the Volksunie doesn't watch out, it will be infected with the same disease which cut down the FDF [Francophone Democratic Front]. There, too, the old guard of pioneers stayed on a bit too long and the younger members didn't get their chance in time. There, too, the party fell apart because of ideological differences. There, too, the vision did not evolve along with a fast-changing society and with developments in citizens' views. If the VU wants to continue to have a say in, and to contribute to, Flemish society, and by so doing safeguard its own future, the renovation and rejuvenation must be thorough and complete.

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POLITICAL

BELGIUM

FLEMISH SOCIALISTS VIEW STRATEGY, STRUCTURAL PROBLEMS

Brussels KNACK in Dutch 15 Jan 86 pp 12-16

[Article by Jos Grobben and Marc Reynebeau: "A Laugh and a Tear and Another Tear"]

[Text] Since 13 October, the Flemish Socialists have been stuck in the opposition once again for some time. How does the party react to this and what do the party leaders think about it? A report on the by-roads of SP [Flemish Socialist Party] country.

In a recent issue of SOCIALISTISCHE STANDPUNTEN, Bernard Tuyttens, member of the staff of the socialist study center, asked the question: "Doesn't a drawn-out stay in the opposition (which no longer has anything to do with the proverbial "cure") -- even with a strong increase in seats -- lead to political impotence...?" Representative and editor in chief of the paper, Norbert de Batselier, stated rather optimistically that "in the SP laughter far outweighs tears," thus paraphrasing Willy Claes who had expressed himself in similar terms earlier relative to the Pyrrhic victory of 13 October. In addition, this remarkable issue is full of analyses, loose considerations, and erudite thoughts about the failed October coup and about what the party should do from now on.

The fact is that the majority of the Socialists had hoped for a greater victory, which could easily have competed with the latest European elections. And then the mishaps seemed to start accumulating at a fast tempo: no participation in the government, thrown out of the regional government, disagreement about the way to handle the "Nivelles gang," the nests the newly elected representative from Ghent, Pierre Deweirdt, is said to have worked himself into the OCMW in Zelzate... It was not perhaps a complete disorientation within socialist circles, but member of parliament Luc Vandenbossche did speak in this context about "some unsettlement," which may not have been completely digested yet. Meanwhile a great deal of thinking has been going on within the party -- without this having led to a congress.

The conclusions of this seem vague at first. "More than ever the movement must have an eye for the new elements in the laws of motion of our society," wrote editor in chief De Batselier. Or: "In this regard the socialist movement should always ask itself anew to what extent and in what form it may be possible for those social changes to bring us even closer to a decent society, based on a democratic and humanitarian socialist value pattern."

Angle of Incidence

An SP militant cannot buy much with that, but he can at least console himself with the idea that his party's heavyweights have made the firm resolution henceforth to address the members and voters in somewhat simpler terms. Thus everyone agrees that the SP's famous economic alternative simply was badly presented to the people. "They worked over people's heads," said Jef Ramaekers, mayor of Mechelen and senator. Parliamentary party leader Louis Tobback wrote on the unblushing paper of SOCIALISTISCHE STANDPUNTEN: "'Drastic reduction of working hours with compensatory recruitment and maintenance of purchasing power' is a string of learned words which are understood immediately by those who are firmly determined to fight that proposal." Claes thinks that too much emphasis was placed on details, which in his opinion is honest but ultimately it causes the message to be lost and makes it easy for the opponent to pick on weak points. "They continued for too long to hammer on a nail which was not sturdy enough," he said in terms of the issue of reduction of working hours and new recruitment. While in the same breath he regrets that the unions do not show much enthusiasm for the SP alternative ("A flash of corporatism, of egoism..."). Fencing with that alternative apparently did cause the SP to want to X-ray society as a whole from a single angle of incidence: labor. Hence, there will be some change in this in the future, without touching the basic options of the alternative. Willy Claes calls it "insane" to want to forget that backbone of the socialist program. "Every opinion poll demonstrates that -- even with peaks of terrorism -- unemployment remains the primary concern." President Karel van Miert feels that pulling back is equally idiotic "at a time when even people like Leo Tindemans or liberal oriented Professor Paul de Grauwe from the Catholic University of Louvain are starting to agree with us."

Over the coming months and years, the SP may perhaps dare to address a series of new themes. Culture, for example, because President Van Miert feels that his party is stuck with a "cultural deficit." Claes talks about "stressing other dimensions," such as international politics or ecology. The youngest generation of elected officials wants to unravel the welfare sector, or the major social changes. But members of parliament such as Louis Vanvelthoven are carefully putting the breaks on all these pious intentions. "The danger lies in thinking too opportunistically, too much in terms of elections. I fully agree that the economic alternative should be "trimmed," but at the same time we must continue to pay attention, for example, to the foreign workers..."

At an ultimate stage this new approach should lead to the SP being able to attract a minimum of 15 percent of the electorate in every electoral district. Including a number of new target groups. Vanvelthoven: "It is strange, but serious small businessmen are in fact our objective allies because their interests are also tied to purchasing power. The same is true for cadre personnel." But would such a party, which may have to digest 8 years of opposition, not irrevocably lose the favor of the voters? At the SP they think not. Thus Vandenbossche is absolutely convinced that people are voting more and more on issues, especially among the growing group of young voters. Therefore he does not believe in a "frustrated SP voter." He shares with

numerous party leaders the idea that rendering services and clientelism are not the only soul saving graces. Clientelism does not necessarily provide the party with a necessary gain, is the new motto and proof of this is provided by the party's past which, even at times when it was possible to be nominated, declined at every election and by the Flemish Social Christian Party [CVP] which -- if clientelism was so profitable -- should "have an overpowering majority at its disposal" (Claes). "We are better off without profiteers," commented Vandenbossche.

The likelihood that militants may run away from a party which no longer has any power base at a high level, seems rather high, but according to the SP leadership it is minimal. According to Van Miert there has been virtually no decline in membership and Vanvelthoven said firmly: "When militants or clients become impatient, you must dare to say 'sorry,' and let them flow away." Nevertheless, the people at party headquarters are now slowly becoming convinced that there is an urgent need to polish the motivation of those foot soldiers and they want to take an old idea of Willy Claes (special meetings to talk out problems relating to management and motivation) out of the closet. Meanwhile, the militant can refresh himself with the thought that for the first time in 20 years he no longer belongs to a party of eternal losers.

Pretentions

"A dynamic, modern management has not always been the most important characteristic of the Socialists," admitted Willy Claes who is virtually obsessed with managerial problems. In this regard, he went down the list, from newspaper stories concerning the health insurance funds (of which he himself has become the boss now), certain union branches up to and including the lost cooperatives and concluded with a sigh: "How do you want to teach other lessons then?" In his opinion, the line can be partly drawn through to the party where "better returns could definitely be obtained." And he referred to his own federation in Hasselt, which has become the most red district in Flanders thanks to good, decent management. "But also thanks to the broad financial resources Hasselt has at its disposal," added Ramaekers.

Van Miert had also confessed earlier that his party "was on the right course," but was still suffering from "structural problems." One of these seems to be the fact that women do not have many opportunities yet within the SP. Or that some of its branches function as if there had never been any seventies or even any sixties. The tormented president admitted that he "puts a great deal of time into solving local problems" and immediately noted that in his opinion he "does not have enough instruments to take action." Thus it is known within a small circle that he is an advocate of drawing up electoral lists in a different manner. This would entail two-thirds of the candidates being nominated by local officials , and one-third by national officials. That way you would get more "opportunities for corrections" on the Keizerslaan in Brussels. But such proposals immediately clash with the thoughts of such people as Jef Ramaekers who find something like that "pretentious." "If you're close to the sun, you're always privileged," he said cryptically.

Further concerns are the not always respected regulation concerning cumulation, the openness of the party or rather the lack thereof, and "finding new faces." That is an activity the SP cannot escape either, and thus they are still looking for a real listhead in the largest federation (Antwerp) and in Tienen, for example, they have to search as soon as possible for a successor to Rik Boel, who before long will say farewell to politics.

As a matter of fact, Antwerp has always been a separate case within the SP, with highhanded comrades, most of whom remained behind at the stage of beef-steak socialism and on whom the party leadership has begun to get a hold only over the last few years. That "stronghold problem" also existed for a long time in Ghent, but with the advent of young Turks such as Vandenbossche Anseele's old view that everyone living outside the city walls was a farmer and thus lost to socialism is on its last leg. And districts such as Mechelen, where the Socialists lost 43 percent of their votes between 1961 and 1985, may well have to provide SP officials with numerous hours of overtime work.

The relationship between those various federations and the national leadership (Vandenbossche calls it a "normal field of tension") has definitely become tauter recently. This is due to a large extent to the new national secretary, Carla Galle, who has been known to talk to her federal secretaries, the turn-tables between those two echelons, sternly. That is entirely effective, but the first time many secretaries have had to swallow twice at such a direct and not always equally diplomatic approach.

Points of Contention

Even though the Breakthrough program has constantly been supported by the SP leaders since it was launched in 1979, today it has still not been accepted by every militant. Even though it was a 10 point program, many people seem to know it only because of the opening it tries to achieve toward progressive Christians. Willy Claes now feels that it has been very positive for the SP and that it certainly has softened the image of the party. But together with his regional colleague Vanvelthoven, one of the signers of the manifesto, looks with sadness upon the fact that the Breakthrough ideas were implemented consistently only in Limburg. Others, such as Ramaekers for example, feel that it is a superfluous bother: "You don't achieve a breakthrough by putting a priest on the list," thus referring to the person of Jef Ulburghs of Genk.

The same source claimed that such initiatives as the PAKS [Progressive Agreement of Christians and Socialists] operation "do not contribute anything to the openness of the party," and referred to the election results as proof of his statement. Party bosses with broader vision, such as Louis Tobback and Vandenbossche, are still giving PAKS the benefit of the doubt. "Hence, this strategy," wrote Tobback in an election analysis and referring to PAKS, "needs time and requires patience. But there is no other way, unless we settle for being at best the second party in Flanders and occasionally the one chosen." The fact is that the militant circles have the greatest doubts about this opening toward the Catholic workers. The influence of the PAKS representatives, incarnated in the very new senator from Ghent, Paul Pataer, is

described in those circles as "rather small" and whether the major breakthrough will ever take place via this operation is at best open to doubt. The leaders are curiously waiting to see what activities will develop from this corner and Vanvelthoven noted that he hopes that Pataer will make PAKS "viable. But that will take a great deal of trouble."

Hence, while people are looking with great interest at possible initiatives in the direction of what is traditionally called the "right," the SP as a party is starting to clearly work itself loose from the big socialist movement. Co-operation with the Walloon Socialists -- one of the points of contention of representative and former Minister Freddy Willockx -- has been reduced to a very low level. Relations with the unions have often been much better in the past. Vandenbossche describes this union-party relationship as "living with two speeds," with the lowest speed clearly belonging to the union, while years ago the situation was precisely reversed. As a matter of fact, the symbiosis between the two blocs only exists at the local level anymore; nationally, the two are apparently growing more and more apart, a phenomenon which is certainly not foreign to the identity crisis within the ABVV [Belgian General Federation of Labor]. In his analysis of 13 October, Tuyttens coolly commented: "A national election with crystal clear electoral advice from the socialist union was not able to shift the political beacons either. There are strong indications that the electoral advice of the ABVV produced much more movement and response from its own cadres than from its members and public opinion." As far as ABVV leader Andre Vandenbroucke is concerned, this does not leave anything to be desired in terms of clarity.

So far, this alienation between union and party does not seem to worry any of the SP militants or party leaders. On the contrary. Jef Ramaekers is undoubtedly not alone in stating that "the unions have made serious mistakes in the past. Such as, for example, their refusal of co-management or their keeping officials out of the works councils." That must be eliminated now. "The party," remarked Ramaekers, "must have the courage to say to the union: we are sorry."

Isolation

Karel Van Miert ushered in an era among Flemish Socialists in which the awareness grew that politics is a "harsh business which is sensitive to competition." Almost the emanation of the free market, with the necessity "to quickly renew, rejuvenate and act." Hence, the changing of the guard at the SP top was unexpectedly quick; a first wave in the late seventies, a second one now with the latest elections. Even though old timers prefer what they call an "accumulation of experience" (Ramaekers), which refers to a slow and often frustrating climb to the top, the quick advent of two generations of younger people is being applauded with near unanimity. Claes talks about the latest group in terms of "two excellent harvests" and a happy ending to the era of "j'y suis, j'y reste." So far nobody expects any problems with that second generation of young Turks and, according to Van Miert, those problems could arise only if the party suddenly were to start shrinking. Within the shortest period of time -- at least that is what is expected -- the young people who are still hesitantly searching for a way in the various cenacles, will know how their SP functions.

A circle has developed at the top, which de facto holds the strings in hand: President Van Miert, the pragmatic and politically very experienced "spiritual father" Claes and the manager of the parliamentary party in the House, Louis Tobback, who is praised by all. In the background there is also the presence of Frank van Acker, the mayor of Bruges, who rejected the presidency in 1977 opening up the way for Van Miert. "It should be noted," commented Jef Ramaekers, "that things would have been different with Van Acker than is the case now"; Vandenbossche feels in any case that a PAKS operation would not have been given a chance.

It is partly because the party leadership is too broad to function effectively that this trio was able convincingly to establish its authority. In 1979 friction did develop between Claes and Van Miert about the missile affair "but Willy realized that he was wrong" (Van Miert).

The existence of that triumvirate gives Van Miert the necessary backing for what he wants to do with the party. To strengthen the authority of the "Keizerslaan" somewhat, for example, because so far the party has not the slightest notion of the financial situation of the party federations, while a protocol is finally being developed now which is supposed to give the national leadership access to the members of the federations. But Van Miert must continue to be careful: "I already have the reputation of being meddlesome."

At the biennial working congress in early 1987, where Van Miert's mandate will have to be renewed, there will presumably be some clarification of the position of president. Most people have no doubt about Van Miert's reelection, if only because no opposing candidate has surfaced yet. But that does not alter the fact that some of the "Young Turks," especially in parliament, have grown somewhat restless; they are afraid that Van Miert -- who had expected greater progress on 13 October -- will moderate and weaken the SP positions too much, at which point he might well be left behind by these ambitious young people on the left. His entry into the parliamentary party also causes concern in this regard: what issues will the president want to focus on as member of parliament? His clash with Vandenbossche about the "Nivelles gang" already represents writing on the wall.

Nearly 9 years of presidency will unavoidably lead to wear and tear, internally as well, and even though a guru like Willy Claes still feels kindly disposed toward "this son of Campines," signs of Van Miert's isolation are becoming visible. That coolness is not solely a matter of continued grumbling by the grudge bearing members of the "old guard" who have been left out by events, but especially of the more pragmatic course Van Miert wants to follow, a course which is said to have been partly produced by the dominating influence of the very active national secretary Carla Galle.

Consequently, it remains a remarkable paradox that the SP leadership wants to moderate and rethink its positions at a time when a number of its most fundamental analyses, about unemployment and the government deficit for example, are being confirmed. However, the party has another year to determine for itself where precisely it wants to go. But then it will also be a crucial year. As a matter of fact, the municipal council elections will follow in 1988 and, who knows, perhaps the Martens VI administration will come to a premature end.

POLITICAL

BELGIUM

ALLIANCE BETWEEN WALLOON LIBERALS, SOCIAL CHRISTIANS

Brussels LE SOIR in French 3 Feb 86 p 2

[Article by Jacques van Solinge: "Good Marriages Do Not Always Last"]

[Text] Truly, all that was lacking was the wedding march at the moment on Friday afternoon, in the premises of the LPC in Brussels, when the representative of the PRL [Walloon Party of Liberty and Reform] and the PSC [Christian Social Party] signed the agreement linking them for 8 years. On the one hand, on the left side of the table, were Louis Michel, Jean Gol, Philippe Monfils, Arnaud Declety and Albert Demuyter, representing the liberals, while on the other hand, on the right side of the table, were Gerard Deprez, Charles-Ferdinand Nothomb, Melchior Wathelet, Edouard Poulet and Jean Louis Thys, representing the social Christians.

It is a known fact that the two majority French-speaking parties have decided to unite their destinies for at least 8 years. That is to say, during at least eight legislative terms. Which means that during this period, neither the PRL nor the PSC will do anything without the other, either in the French community or in the Walloon region. And that will be the case whatever the fate of the national government majority may be. And it also means that "in the event that, during this or the next legislature, the PRL and the PSC should lose the majority in the French community and/or the Walloon region, they undertake to make a joint search for a partner in order to form a new majority together, or, if a majority can not be established, to agree to membership together in the opposition."

In addition, the agreement is designed to apply to future majorities in the provinces--at least in those places where formal commitments have not yet been made for the next legislative period. The permanent PS [Socialist Party]-PRL delegations in Liege and Namur are not, therefore, affected, because the "reds" and the "blues" have already made a commitment to collaborate for the period of two legislatures. The Michel-Deprez agreement will doubtless not apply to Hainaut, where the PS alone has an absolute majority, nor to the Brabant, where the bilingual nature of the province causes confusion. In fact, it is therefore in Luxembourg alone that this aspect of the PRL-PSC agreement can quite easily be implemented in fact. It is true that the social Christians there are furious at being excluded from power in a province which they regard as not much less than a private preserve.

It would however be a bit hasty to explain the emergence of the agreement signed with such pomp on Friday in terms of simple considerations of pure

electoral arithmetic with regard to Luxembourg. What then could have lead Louis Michel and Gerard Deprez to sign this agreement for 8 years, when they continued to derive wicked pleasure from verbal battles throughout the whole of the preceding legislative term?

There is first of all the official explanation in which each of the two groups of protagonists pretends to believe.

"The Walloon voters and those of the French community gave our two parties a majority, and thus demonstrated their desire to shift the center of gravity in the political program for the Walloon and French-speaking sectors. Through their alliance, the PRL and the PSC want to constitute, together, the axis for the modernization of our regional and community institutions. This pact does not imply any exclusion of other political groups, but it reflects the refusal of each of our parties to serve as mere support for the Socialist Party."

Then there are the less obvious motivations. In fact, there is every reason to believe that the liberals and the social Christians in the southern part of the country have in a way taken out an insurance policy.

The PRL knows that the PSC would be not at all sorry to push it into the opposition and to go along for a time with the socialists just as the PSC knows that the liberals have never totally broken off contacts with the PS.

In short, Louis Michel and Gerard Deprez continue to sing their respective versions of "I don't love you anymore, either." By signing their 8-year agreement, they are both making an effort to protect themselves against a future upset in the alliance. "I have you and you have me by the short hairs." The first to break faith will become the object of public indignation. Which does not, obviously, in any way alter the fact that the temptation to do the other fellow in remains strong.

The spokesmen for the two parties have insisted on the original nature of the step they have taken. Thanks to their agreement, they say, the voters' choice will be simple. If one votes for the PSC, one helps the PRL to remain in power in the French-speaking sector. If one votes for the PRL, one helps the PSC to remain in power in this same sector.

Such a step is obviously not free of hazards. Are all of the liberals prepared to link their fate for at least 8 years, which is a long time in politics, to that of the social Christians? Particularly at a time when the latter are trying to reestablish their unity in the defense of Christian "values?" Are all of the social Christians prepared to cohabit with the liberals for almost a decade? Nothing could be less certain, if one remembers that Philippe Maystadt and others, not all of them from a Christian democratic background, have voiced a whole series of reservations about the content and the meaning of the 8-year agreement.

One can understand then why none of the observers, with no exceptions at all, have taken the "nuptials" on Friday afternoon very seriously.

POLITICAL

DENMARK

SUCCESS FROM EXPECTED COALITION RESTRUCTURING KEY TO 87 VOTE

Stockholm SVENSKA DAGBLADET in Swedish 8 Jan 86 p 4

[Commentary by Thorkild Dahl: "Criticism Smoldering in Government's Own Ranks"]

[Text] Copenhagen--The Danish government has not dared support solutions which it finds satisfactory but instead has stood out as one of the weakest postwar governments, putting its continued exercise of power ahead of all other goals.

At the turn of the year Conservative Prime Minister Poul Schluter rejoiced over Denmark's economic success and promised that the government will stay in power throughout the election period; the parliamentary elections will thus be held in 1987. However, the prime minister's optimism has not spread to everyone, and in Denmark's leading newspaper, BERLINGSKE TIDENDE--as well as in the introduction to this article-- the government has been characterized as a weak administration.

Smoldering Criticism

The criticism of Prime Minister Poul Schluter's administration has also long been smoldering in the government's own ranks and is beginning to emerge increasingly. The government should reinforce its non-socialist profile and stand firm. But that is not what Prime Minister Poul Schluter is doing. He is a man of compromises and the government has allowed itself to be voted down time and again in the field of foreign policy without taking the consequences the government of any other democratic country would do, namely stepping aside or announcing new elections when essential portions of the government's policy are rejected by vote. The opposition could demand a no-confidence vote against the government in the Chamber of Parliament, but the government's economic coalition partner, the Radical Left, is reluctant to do so in order instead to assure the continued economic policy.

Brought to a Head

The Danish parliamentary system was brought to a head when the non-socialist government came to power in September 1982, after Social Democratic chairman Anker Jorgensen, exhausted by the weight of the problems, voluntarily surrendered his weapons.

The reestablishment of the Danish economy is the principal task for that government. In all political areas, except the economy, the government is prepared to give in in order to remain at the helm of the government.

It is not least the chairman of the liberal Venstre party, Foreign Minister Uffe Ellemann-Jensen, who time and again must put up with conducting a policy he believes to be against Denmark's fundamental interests and damaging to Denmark's reputation both in NATO and the Common Market. In Denmark the opposition is openly called the alternative security-political majority and consists of the Social Democrats, the two parties on the left flank (the Socialist People's Party and the Left Socialist Party) as well as the government's coalition partner in economic policy, the centrist Radical Left.

Other Reality

The constitution says that it is the government which controls the country's foreign policy, but the foreign minister has to put up with the fact that this is not the way it is under the Poul Schluter administration. Foreign Minister Uffe Ellemann-Jensen has repeatedly tried to get the government's own foreign policy position, above all in EEC matters, to become Denmark's official position as well, but each time the opposition has forced the minister to add one Danish reservation after another to joint communiques from ministerial meetings in NATO or the EEC.

Foreign Minister Uffe Ellemann-Jensen candidly says that it is not "an enviable position to be responsible for Danish foreign policy."

"The government is forced to balance one thing against the other. We came to power at a time when the Danish economy was so badly off that we were looking into a precipice. The course has been set, but until we have gotten so far from the precipice that we are at a good distance, we have to give the socioeconomic problems the highest priority."

Will not Resign

The Danish government is not threatening to resign if it is voted down in Parliament, and that is also not going to happen in connection with this month's crucial debate concerning Denmark being the only country to reject, and thus at least temporarily prevent, the changes in the Common Market cooperation which the other 11 EEC countries agreed to in Luxembourg in December. The government may accept the changes in the Rome Treaty, but for the time being the Social Democrats are negative.

The foreign minister calls Denmark's foreign policy situation absurd.

"If the Social Democrats were to regain power, the party would again approach the non-socialist parties on foreign policy," says Uffe Ellemann-Jensen and points out that the alternative would be the leftist Socialist People's Party, which demands that Denmark leave both NATO and the EEC.

Altered Foreign Policy

The Social Democrats changed the course of the foreign policy right after the change of administration. This was primarily an attempt to squeeze the new government, but the party's leader also points out the altered attitude toward other Social Democratic parties, among others the Swedish one in the Scandilux group.

It is above all within the foreign minister's party, the Liberal Party, that the demand for a firm foreign policy course has been brought up. Prominent members of the party are also mentioning the word election, but it is politically naive to think that an election campaign in Denmark can only be conducted on the basis of foreign policy issues.

In Denmark election campaigns center on economic issues and that will also be the main theme of the next election campaign. Prime Minister Poul Schluter is waiting for the balance of payments to straighten out as well, for then the economic objectives will have been reached.

According to Poul Schluter the Danish voters will not have their say about the administration until the fall of 1987. The major political task for the Danish prime minister during the spring months will therefore be to get the expected cabinet reshuffle in the summer to function, so that it will be a fresh and enterprising non-socialist administration which faces an election.

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POLITICAL

DENMARK

COMMUNIST PARTY PRESS ORGAN ANNOUNCES STAFF CHANGES

Copenhagen LAND OG FOLK in Danish 28 Jan 86 p 5

[Article: "New Leadership in LAND OG FOLK"]

[Text] The missions for and the development of LAND OG FOLK were subjects of a debate in the Central Committee of the Danish Communist Party on 1 December 1985. A working committee was given the job of devising proposals for strengthening the leadership and improving the priorities and the planning work, all with the object of making LAND OG FOLK an even better tool in the political struggle.

In its meeting this past weekend the Central Committee dealt with the results of the committee's work. These included proposals for strengthening the trade union, peace and EC issues. There were proposals for more offensive participation in the cultural-political debate.

In the effort to strengthen LAND OG FOLK the Central Committee decided to make changes in the leadership of the paper.

The post of responsible editor, which previously included both political responsibility to the Central Committee and responsibility for compliance with the press laws, was divided into two posts.

The newly selected editorial leadership includes: Frank Aaen, politically responsible to the Central Committee, Gunnar Kanstrup, responsible for compliance with the press laws, and Gerda Kristensen, Allan Nielsen and Michael Seidelin.

Erik Andersen, who was a member of the former leadership, will take over in the spring as the Moscow correspondent for LAND OG FOLK, and was therefore retired from the leadership post.

9287

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POLITICAL

DENMARK

SVEND JAKOBSEN SEEN AS NEXT LEADER OF SDP

Copenhagen BORSENS NYHEDSMAGASIN in Danish 10 Feb 86 p 11

[Article by John Wagner: "Svend Jakobsen--Popular and Dangerous"; first paragraph is BORSENS NYHEDSMAGASIN introduction]

[Text] The speaker of the Folketing can restore good cooperation between the Social Democrats and the Radical Liberals. Therefore it stands to reason that he will be Anker Jorgensen's successor.

The speaker of the Folketing, former Finance Minister Svend Jakobsen, must be one of nonsocialist Denmark's most popular Social Democrats. But he is also a dangerous Social Democrat for those nonsocialist voters who want to keep the largest party in the opposition. Because no Social Democrat will, like Svend Jakobsen, be able to create doubt among the Radical Liberals as to whether they should cooperate with the Right or the Left in Danish politics.

Svend Jakobsen is anything but a romantic revolutionary. He represents a moderate social democratic position. He is reliable, sociable, and the epitome of stability. Therefore he is popular, in the nonsocialist parties, mostly with the Radical Liberals, and in broad circles of the union movement, and in that part of the Social Democrat Folketing group which would rather cooperate with the Right than with the Socialist People's Party.

The speaker of the Folketing maintains a low profile in party politics. He is not Denmark's most boring man, as a Copenhagen TV station recently described him. Nor is he particularly amusing. He belongs to neither the rightwing nor the leftwing of the Social Democratic Party. He is a moderate--and primarily he is independent of the various "coffee clubs," even though he previously was a member of both Ritt Bjerregaard's rather controversial (and now discontinued) club and the so-called Olsen gang, where he has his most loyal supporters today.

In internal meetings Svend Jakobsen has warned members of his party against saying no to the EC. But he gave in--as did Anker Jorgensen--to the majority of the group. He has therefore not received the notice in the press that was given to the "renegades" Poul Nielson, Erling Olsen and Robert Pedersen during the social democratic discussion of the EC package. But he has received other notice. In the wake of the reawakened conflict between the leftwing of the

Social Democratic Party and the rightwing of the trade union movement some elements of the media have busied themselves with the social democratic order of succession.

On 22 February POLITIKEN wrote: "Several different groups are pointing to Svend Jakobsen. In the words of a member of his party, 'he has held the balance for recent months during which polarization has increased. And he has the healing qualities which can be useful.' The general opinion is that he will go all the way to the top reluctantly, but on the other hand as he was born a Social Democrat he will feel that he is obligated to the movement. For Svend Jakobsen the position at the top can be a 'nonsocialist civic duty.'"

On 3 February BORSEN wrote: "Social democracy has a need--to use the language of the times--for a healer. Hardly anyone in the social democratic group could fill the role of alternate medicine man better than Svend Jakobsen. Political observers believe, when it comes right down to it, that Svend Jakobsen is not merely the rightwing's man, but that in his quiet, matter-of-fact way he is also capable of defending the more leftward leaning of the party's viewpoints."

On 3 February the Weekly Political Letter in BORSENS NYHEDSMAGASIN wrote: "Members of the so-called Olsen gang--with President Poul Nielson and name-giver Erling Olsen at the head--point to Svend Jakobsen and former Minister of Taxes and Public Revenues Mogens Lykketoft. And it is certain that these two, much more than Anker Jorgensen, Ritt Bjerregaard and Svend Auken, will be able to recreate a reasonable dialogue between the party's leftwing and the rightwing of the labor movement, and what is no less important in the longer term, pave the way for new cooperation with the Radical Liberal Party."

If Svend Jakobsen crowns his political career by becoming Anker Jorgensen's successor as chairman of the Social Democratic Party--and thereby also the party's candidate for the post of prime minister--the labor movement (and perhaps also the country) will have an entirely different type of leader than Anker Jorgensen.

Compared with Anker Jorgensen, who has never been a cabinet minister, Svend Jakobsen has been minister of housing (1973), minister of taxes and public revenues (1975-77), minister of fisheries (1977-79), and minister of finance (1979-81). In fact from 26 January to 26 February 1977 he occupied three minister posts, as he was the tax and public revenues minister, and acting housing and environment minister.

After the departure of former Foreign Minister K. B. Andersen from the Folketing, on 21 December 1981 Svend Jakobsen was elected speaker of the Folketing--a position of trust which he carried out with great authority to the satisfaction of everyone, even though one member of the Left Socialist Party at the time said critically that it is not permitted to enter the Folketing Hall wearing short pants and a Mao jacket.

So Svend Jakobsen has all the administrative experience and clear feeling of the political game at Christiansborg that Anker Jorgensen did not have when he became prime minister. He also has the contacts with leading nonsocialist

politicians which are necessary if the Social Democrats should again become interested in close cooperation with the Radical Liberals and perhaps also the Conservatives on economic and foreign policy matters. But these contacts can also be a problem. A Social Democrat said, "When Svend Speaker plays statesman in the Folketing group, we can all hear that he has also spoken with Ninn. But," he adds, "the minister of justice is not the most foolish politician to ask for advice."

Svend Jakobsen, who was first elected to the Folketing in September 1971, grew up in Vendsyssel. After seven years in primary school he went to work at age 14 as a farmer's helper. Three years later he became an apprentice clerk in a co-op. From 1955 to 1959 he was a clerk in the Abyhoj co-op, after which he was a consultant in the Association of Danish Co-ops until 1971. On 1 November of last year he turned 50 years old.

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POLITICAL

DENMARK

SECURITY, DISARMAMENT COMMITTEE ISSUES REPORT ON EUREKA

Copenhagen BERLINGSKE TIDENDE in Danish 21 Feb 86 p 11

[Article by Thorkild Dahl: "EUREKA Without Military Research"]

[Text] The large European joint research project EUREKA will be very inappropriate as a pattern for goal oriented military research, much less weapon production.

That was confirmed by scientific degree candidate Carl-Henrik Hall in a new publication from the Security and Disarmament Committee (SNU), but he pointed out that the government's interest in allocating funds to the project has been so slight that "so far it has not been convincingly demonstrated that EUREKA will be realized to any significant extent."

EUREKA's purpose is to guarantee Europe the knowledge which is expected to become the nucleus of the third industrial revolution, and the circle of participating countries has grown far beyond the circle of EC countries.

The original French proposal for EUREKA was intended to be identical with the controversial American space research project SDI, which is often called "Star Wars."

So far, however, the EUREKA project is no answer to SDI.

"The somewhat headlong beginnings and the original intent in connection with SDI led many observers to interpret the start of the project in that light. But at the Versailles Conference on 5 June 1982 French President Mitterrand pointed out biotechnology, microtechnology, new materials, ocean research, space research and energy research as being entirely central to the further development of humanity and to the possibilities for bringing down unemployment," wrote Carl-Henrik Hall.

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POLITICAL

DENMARK

BRIEFS

CONSERVATIVE PARTY GAINS--An opinion poll, conducted during the period 10-19 February, when the campaign for the referendum was at its height, shows that the Conservative Party is close to the Social Democratic Party in strength. The poll--conducted by AIM for the newspaper BORSEN--shows that if an election were held now the Social Democrats would win 56 seats and the Conservatives would win 50 seats. The prime minister's party would gain eight seats. The Socialist People's Party would gain nine seats. And although the Left Socialist and the Progressive Parties would be wiped out, the election on the referendum would not have changed the political balance of power in the Parliament. Within the government parties, the Liberal Party would remain unchanged with 22 seats, while the other two government parties, the Center Democrats and the Christian People's Party, would lose 4 and 1 seats respectively. The Radical Liberal Party would lose one seat. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 1 Mar 86 p 9] 9287

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

NEW BOOK AMPLIFIES DISCUSSION OF CHANGING WORK ETHIC

Hamburg DIE ZEIT in German 14 Feb 86 p 22

[Article by Wolfgang Krueger: "Not a Piece of Intellectual Devil's Work"]

[Text] Times are changing quickly and lastingly, and with them the attitudes of people to business and work. At least in Europe and in the postwar years, hardly any other nation had so much derived its self-assurance from economic successes in the 1950's and 1960's as the Germans. The growth of the gross national product had been raised to the rank of a national duty. These were the years of the much praised economic miracle. However, all that is now in the past.

Since the 1970's and even more obviously in the 1980's, the spirit of the age has been favoring entirely different lifestyles. In this context, too, the Federal Republic is ahead of all others in the international comparison.

Repeated demoscopic studies have shown that in no other country are so many people uncertain about the role of the economy in the late industrial society. As recently as 20 years ago, the economic imperatives such as prosperity, growth and technical progress were generally accepted. They have now largely forfeited their preeminence. At the same time questions arose about work discipline--geared to the best possible productive performance--and its imperatives of adaptability, hard work and dutiful zeal.

More and more people in the Federal Republic plead for greater consideration and conservation of the social and natural environment instead of unlimited economic expansionism. Resistance is growing in particular among the younger generation with regard to the rigid subordination of working conditions to the sole dictate of the competitive economy.

At the same time the challenges to the quality of labor have also risen. Work is not to be merely a source of income, work also needs to be interesting and, in addition to money, should provide human satisfaction by allowing for adequate elbow room and opportunities for cooperation.

Publications dealing with the change in values in the economy and society are by now filling many shelves. One of the most interesting books on this topic was the exchange of letters between Elisabeth Noelle-Neumann (Allensbach

Institute for Opinion Research) and Burkhard Struempel ("Macht Arbeit Krank? - Macht Arbeit Gluecklich?" [Does Work Make You Sick? Does Work Make You Happy?], Piper, Munich 1984). If for no other reasons, it was interesting because the two authors used the same empirical data to draw very different, indeed more or less opposite conclusions. Above all, though, it is worth reading because the controversy aroused by the change in values becomes almost tangible in the arguments for and against as recorded in this book.

Mention of this book is indispensable because the recent publication by Michael Klipstein and Burkhard Struempel of "Gewandelte Werte - Erstarnte Strukturen" [Changed Values - Frozen Structures] can be properly appreciated only if we consider it a kind of continuation of the exchange of letters between Noelle-Neumann and Struempel.

Sad Phenomenon?

Admittedly, the latter book is preoccupied with only one aspect. An entire battery of social scientists working at the "research section for the social economics of labor" at Berlin's Free University provide backing and support for Struempel's speculations by various specialized contributions (Man and Unemployment, Women and Jobs, Work and Health, Codetermination, Young People's Liking for and Dislike of Work, to cite only a few topics).

Though, together with Klipstein and Struempel, Elisabeth Noelle-Neumann had a leading role in the extensive and costly research project (financed by the Volkswagenwerk Foundation), on which the book is based, she is not represented by a contribution of her own. Nevertheless, as regards the attitudes tackled, Elisabeth Noelle-Neumann's spirit is omnipresent in this book.

The book attacks two hypotheses in particular, which are constantly reiterated in the debate, and according to which the change in values is one of the most deplorable phenomena of our age, a symptom of the decay of bourgeois virtues and of the infection by low class mentality (Noelle-Neumann: "Werden Wir Alle Proletarier?" [Are We All Turning Into Proletarians?] - Verlag A. Fromm, Osnabrueck 1979).

The assertion is attacked that the generally discernible alienation from business and labor represents an intellectual devil's work. Themselves alienated from daily working life, intellectuals are alleged to use the media, schools and universities to lay the foundation for the lamentable loss of realism of the younger generation in particular, while "others are doing the work" (Schelsky).

Also attacked is the related assertion that the change in values is explicable simply by the increasing laziness of employees.

Searching for the motive forces of the change of values, the authors of this book arrive at quite different conclusions. One of these motive forces is mass prosperity which opened an entirely new set of attitudes to large sections of the population, permitting them to display less submission to strictly economic compulsions.

The other factor strongly affecting the relationship of man to business is the cultural change brought about by the expansion of education. "A generation of young people who spent 10-20 years in the educational system cannot be expected to be as ready to subordinate themselves or carry out fairly unskilled work as was the working generation in the age of the postwar boom."

Another forceful element in the change of values noted is the evolution of demands on the economy and work proceeding together with social development; it is not the fatal attraction exercised by obscure antibusiness forces and human (all too human) inertia. No longer is the maximization of incomes the first consideration; people are concerned more with desires described in sociological jargon as "postmaterial," and which also are innate in man: More self-determination and codetermination on the job, raised consciousness as the result of more leisure--described by the phrase: Man does not live by work and bread alone. This evolution of demands has gripped the entire population, up to the upper and upmost ranks of the social and economic hierarchy.

Yawning Gulf

Among the most interesting passages in this book is the considered illumination of the attitudes adopted in the discussion on the change of values by the self-employed and by senior employees. In the data mined by demoscopic studies, these repeatedly strike the reader by the far above average job satisfaction expressed and by the large extent of identification with their professional activities.

A commentary on these facts: "Despite new values and possibly a greater demand for interesting, independent and meaningful work, senior employees and the self-employed are well able to fulfill themselves in their management functions...It is not surprising that the hymn of praise for work is sung most loudly by those who apparently profited most from improved working conditions. The situation of the mass of employees is far more troubled..."

Very likely this is a true description, at least if we even halfway appropriately compare the decisionmaking powers of someone high up in the business hierarchy with the scope available to the man or woman at the assembly line or, lately, the computer. Staying with the line of argument proposed in the book, a yawning gulf indeed exists.

In addition to Karl Marx's class war slogan and right up to Ludwig Erhard's social market economy, in both of which the social debate focused on the distribution of income, production as such, the process and the conditions of production are increasingly turning into the bone of contention. "It seems that the distributive problem is shifting from money to the quality of labor, that the class conflict is continuing in another form and further aggravated by the generational conflict."

At the same time it would amount to a serious misunderstanding, possibly animated by various ideas and quotations taken out of context, if we were to interpret the book as a covert call for a new type of class war, no longer concerned with earnings but with jobs--or, more precisely: Job quality. Nor

would it be correct to say that the authors pillory the economy, its proper processes or paid labor and its inherent performance imperatives. That is not the case.

To appease any feelings of alarm, let me therefore cite another few quotations and pointers, to begin with from the book's epilogue. Here the two editors sum up the various special articles, their many tables and illustrations, and do this in a remarkably reader-friendly manner: "Reservations are indeed to be noted, but no desertion...Even the young and fault finding generation is unable to seriously visualize life without work. Even those, disappointed with their jobs from many aspects, want to contribute something and reject the mere thought of sloppiness. To carry out one's work properly and conscientiously continues to be the central education objective in this country; it has lost nothing of its import."

And in one of the special studies in the middle of the book ("Work Orientations Between New Demands and Old Structures"), we may read the following sentences (unfortunately phrased in stumbling sociological jargon): "We cannot confirm the suggestion of the corruption of the value of labor. Relevant empirical data generally indicate a rise in the importance of leisure but do not document the allegation that labor has lost any of its importance. The increase in the emphasis on leisure may easily be reconciled with the concept that paid labor also is of central importance as the means of fulfilling psychosocial needs, and that indeed it has gained significance in this function."

(Michael von Klipstein/Burkhard Struempel (editors): "Changed Values - Frozen Structures. How the Population Experiences Business and Labor," Verlag Neue Gesellschaft, Bonn, 322 pages, soft cover, DM29.80)

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CSO: 36200/233

POLITICAL

FRANCE

CHIRAC DISCUSSES PROBLEMS OF TERRORISM, CRIME

Paris LE FIGARO in French 8-9 Feb 86 p 10

[Interview with Jacques Chirac, president of the Rally for the Republic (RPR), by Gerard Mirascou; date and place not given]

[Text] 1. [Question] Security would appear to be one of the big issues in the electoral campaign. In your view, is it justified?

Jacques Chirac: In my opinion, it is fully justified.

Unemployment and lack of security are in effect the two key concerns of French citizens. In themselves, they reflect the omissions in 5 years of socialist policy.

Our fellow citizens no longer have confidence that the current regime can guarantee their security, and they place great hopes in the policy of firmness and realism urged by the RPR and the UDF [French Democratic Union] in this sector. How then can one be surprised that crime and delinquency have seen an unprecedented increase of 40 percent in 5 years, and that our basic freedoms are more seriously threatened with every passing day?

This crisis of confidence is the deeper since the socialists today are pursuing a reassuring dialogue characterized by complacency, based on the claimed reduction in crime. But the French people are not dupes, and they are aware of the manipulation. The daily reality is too much at odds with the present optimism voiced by the socialists just before a decisive electoral campaign.

2. [Question] In the light of the recent incidents, should the antiterrorist policy be reviewed?

Jacques Chirac: It should be completely revised, in my view. Since 1981, all of the provisions or bodies established in our law to combat violence have been eliminated or dismantled. This includes identity checks, the State Criminal Court, top security districts, and the abolition of the death penalty without creating a substitute. Simultaneously, the proposal for an identity card which could not be falsified was shelved, close watch was reduced, and

extradition has been abandoned. And who, in addition, does not recall the release of 300 terrorists in 1981?

Now every evidence reveals the radicalization of the terrorist groups, which have seen an upsurge since the 1970s with a level of violence, an ideological consistency and international coordination unprecedented to date. Since 1981, there have been more than 4,000 violent attacks committed in France, with more than 800 victims. This is twice as many crimes and triple the number of victims seen prior to 1981!

France has become the turntable of international terrorism, as, unfortunately, the most recent events demonstrate. The battle against terrorism requires the establishment of a single, permanent and special jurisdiction, as well as the introduction of penalties for terrorism in the Penal Code. Reduced penalties for those who "repent" their crimes might also, in a step like that which has succeeded in Italy, be contemplated.

On the police level, priority should be given to unity of command and action, the concentration of resources and the specialized training of agents, in order to avoid the confusion of overlapping authorities we are currently witnessing. Finally, broader European cooperation can be seen to be indispensable, but cooperation is first of all a matter of trust, clearly demonstrated and expressed.

It is also necessary that the European agreements on penalties for terrorism be ratified and that the extradition treaties dating from the last century be updated. It is obvious that terrorists should no longer be allowed to benefit from political asylum, which is not as yet, unfortunately, the case today.

A Matter of Conscience

3. [Question] Between 1981 and 1985, there was a very great increase in crime. To what do you attribute the socialist failure?

Jacques Chirac: The failure is obvious and the totals overwhelming: 8 murders and 21 armed robberies per day in France, an automobile theft every 2 minutes, a burglary every 80 seconds, a theft of some kind every 15.

In this realm as well, the socialists allowed themselves to be blinded by their ideology. In their view it was necessary to break away from "the erroneous security procedures" of earlier governments. In their eyes, only prevention could be justified, and it was the response suited to the battle against criminality and delinquency. We are seeing the results of these a priori doctrines every day. In 5 years, our police apparatus has been systematically dismantled, hindering the execution of the tasks of the courts and the police.

We must have no illusions about the recent police modernization law. It comes much too late; it does not even serve to compensate for the lag accumulated over 5 years; it is entirely inadequate because it does not confront the basic problem of personnel, and it does not give the police the juridical resources

for acting effectively. Finally, its financing is uncertain, at the very least, and in fact represents a new blank check drawn on the future.

4. [Question] You voted for abolition of the death penalty in 1981. Do you regret that decision, or would you approve of capital punishment for certain crimes?

Jacques Chirac: This is a question of conscience for each individual. In fact, I voted to abolish the death penalty in 1981 for reasons of personal morality. I do not favor its selective reestablishment, because there is not, in my view, any intermediary solution in this connection.

But on the other hand, and unlike the socialists, I am a firm advocate of inclusion in our Penal Code of penalties involving irreducible and very lengthy prison sentences. It must be realized that a criminal can in fact, at the present time, be released from prison after 18 years, however horrible the acts he has committed may have been.

5. [Question] How in your view should the problem of the battle against the lack of security be approached?

Jacques Chirac: With good sense and without ideological bias! Everyone knows that the lack of security is the result of multiple and varied causes--deterioration of the family environment, unemployment, drug addiction, etc.

This is why the battle against the lack of safety must necessarily be global in aspect. Prevention, dissuasion and penalization can not be dissociated and must be pursued together. This effort must in addition be constant, which presumes both a real political determination and the participation of all--judges, members of the forces of law and order and the citizenry. It must, in fact, be approached in terms of the high ideals required when freedoms--the freedom to come and go or to have possessions--are challenged.

It is moreover precisely because the people of France are aware that their basic freedoms are seriously threatened, and thus that their safety is no longer assured, that they expect of us clear, speedy and effective solutions.

A Ruinous Scene

6. [Question] With regard to petty crime, what solution do you advocate?

Jacques Chirac: The development and spread of petty crime do in fact constitute a source of great concern. The general tolerance, the challenge to the traditional values of our society, the unjustified complacency with regard to criminals, the breakdown of the courts and police force--it is against these things that the struggle must be waged.

The steps to be taken must be diversified. Penalization, dissuasion and prevention are inseparable here too.

Thus it is necessary to reestablish the deterrent aspect of the penalties imposed and the certainty that the sentence handed down will in fact be

carried out. The police force must also, through the strengthening of its ranks, maintain a broader presence in the field.

However, preventive steps should not be neglected, both in order to make our cities safer and with a view to the better integration of young people in our society.

In this connection, a major educational effort should be undertaken, in particular through the development of civic training, but also by organizing suitable socioeducational activities and measures facilitating the social and vocational integration of our young people. But the main effort should be to prevent recidivism, which is still too common, by establishing suitable plans for reincorporation in society, such as projects of general interest. This is what I have tried to do in Paris, where a very major effort has been carried out in the realm of prevention.

7. [Question] Does the socialist judicial policy bear some responsibility in the rise in the number of crimes threatening safety?

Jacques Chirac: Unfortunately, this is the case. The socialist experience will have left a veritable picture of ruin in the judicial sector, with the elimination of the State Criminal Court, the military courts, the top security neighborhoods and the antiburglary law.

All of the provisions and institutions the Fifth Republic made a point of establishing to penalize acts of major violence have been systematically eliminated since 1981. These measures, as a whole, have created among the public the feeling that the state no longer expected to pursue its prerogatives and its responsibilities such as to guarantee the protection of its citizens and the maintenance of social order. These measures created an atmosphere of impunity for criminals and delinquents.

The socialists defend themselves on the basis of the increase in the number of prisoners in the past several years. This is a fallacious argument. In reality, this increase in the prison population is not the result of a more repressive policy, but only reflects the considerable increase in crime, the slowness of the courts, and finally, the inadequate capacity of our prisons. How then can one be surprised that the penal budget in France is one of the smallest in Europe?

It is necessary to revise our penal policy speedily, in particular by reestablishing diversified detention systems and undertaking a long-term prison construction plan.

Identity Checks

8. [Question] What in your view would the axes of a new court policy be?

Jacques Chirac: A new court policy would involve, first of all, a new state of mind characterized by the desire to protect persons and property better. To achieve this, what is needed is not to throw out our penal system, but to go back to certain basic principles and to ensure their implementation. These

include speed in the interrogation of criminals and in the judgments handed down by the courts in their trials, and the certainty that penalties will be carried out.

In fact, penalties cannot deter unless the courts act speedily. Penalties should be imposed within the shortest possible time after the commission of the crime. Also, the abnormal overburdening of our courts must be alleviated by providing the system of justice in our country with the material and human resources with which to carry out the key mission assigned to it efficiently.

9. [Question] There can be no battle against the threat to safety without police motivation. Now the police force is in crisis. What would you suggest to correct this?

Jacques Chirac: The police are in fact experiencing a serious crisis, affecting both their morale and their organization. The socialists have done the police great harm in their mission and in their operation, by eliminating identity checks, by granting amnesty to more than 12,000 prisoners in 4 years, including the Direct Action leaders, by failing to compensate for the decrease in the labor schedule by assigning sufficient personnel, by maintaining rivalries between the police and the gendarmerie, and above all, by excessive politicization of a corps which only wanted neutrality, and not the confusion of trade union and professional hierarchies.

All of this is the product of the ideology of the socialists, which opposes security and hierarchy. Therefore, while it is visibly urgent to guarantee the moral and legal protection of the police, it will in the future also be necessary to reestablish the hierarchy of authority on all levels, and to ensure strict respect for the neutrality of the public services.

It will also be necessary to give the police the resources with which to operate, by strengthening the personnel with priority assignment to public thoroughfares, by reestablishing identity checks, by creating an identity card which can not be falsified, and by establishing a regional echelon of command. It is necessary, in brief, to command, to see to the functioning of and to protect policemen in the exercise of their duties.

10. [Question] The idea of a municipal police force seems to appeal to the people of Paris. Are you ready to support them in this attitude?

Jacques Chirac: This, in my view, is an improper response to the legitimate concern of the people of Paris and their elected representatives.

It would seem to me to be useful to recall the fact that the mayor of Paris does not in fact have any security or police authority, as other mayors do. Only the prefect of police, appointed by the government, has such authority in Paris. The creation of a municipal police force would thus require a major amendment to our legislation.

Elsewhere, in the other cities of France, the municipal police forces, where such exist, have only limited authority, pertaining in particular to parking, traffic and nuisance complaints. They do not, on the other hand, have any

authority to act in the sectors which concern the citizens of France--drugs, crime, banditry and terrorism. Thus this is not a suitable solution.

More generally, I believe that safety is one of the basic tasks the state should assume. Thus it is only through better organization and the strengthening of the human and material resources of the national police assigned to Paris that safety can be better guaranteed in the capital.

Totalitarian Measures

11. [Question] What is your position with regard to crime involving foreigners in France?

Jacques Chirac: I think that clarity and realism are needed with regard to this taboo subject, which, due to their ideology, the socialists refuse to deal with objectively. The official figures show us in fact that the rate of crime and delinquency in the immigrant population (30 percent) is double that among our citizens. Moreover, foreigners account for 28 percent of the prison population, and they are responsible most frequently for both the most serious crimes and the more common ones.

This worrisome situation demands energetic solutions. Denial of the laws of the republic is in fact an insult to our tradition of hospitality. It is all of these things which encourage collective prejudice and a certain racist behavior, of which, in the end, the foreign community as a whole is the victim. Therefore it would be desirable to develop the resources for police action by creating an identity card which cannot be falsified and by reestablishing identity checks. We must also provide ourselves with the juridical and material resources for guaranteeing the effective expulsion of foreign criminals who, once their sentences have been served, would also find themselves legally and permanently banished from France.

In order to control the flow of migrants, a strict mechanism for checking on the status of foreigners should also be created, and there should also be a real agreement with the EEC partners in order to standardize frontier checks on the citizens of third nations, as well as the rules applicable to visas. Similarly, the legislation governing the acceptance of refugees should be revised to put an end to the current abuses, and so that our tradition of hospitality will no longer be diverted from its primary humanitarian purposes.

Finally, heavier penalties should be provided for those who have aided or given work or shelter to clandestine immigrants. Up to the present, our country has made an effort to combat the resurgence of racism. Henceforth, this effort must be supplemented by putting an end to the laxity and the lack of realism of which the left wing has shown too much evidence in this connection.

12. [Question] In your view, were errors committed in the realm of security prior to 1981?

Jacques Chirac: I believe it is less a question of errors than inadequate awareness at the end of the 1970s of the importance of security matters, and

the fact that there was an excessive tendency to relegate them to a secondary level, giving priority to the economic and social problems.

When I was prime minister, I ordered a study of a national police reform which would improve organization and recruiting, as well as career plans for police personnel.

I have often regretted that these projects could not be completed.

It is also necessary to bear in mind that prior to 1981, permissiveness and indulgence with regard to criminals was already beginning, under the pressure of the ideas developed by the left wing, and these things were beginning to produce effects, particularly in the court apparatus. Today, the failure of the socialists in the struggle against crime and criminality has strengthened the foundations for our convictions and our determination to make a resolute break with the past.

13. [Question] What is your view of the phrase "security ideology"?

Jacques Chirac: This is an attempt to place blame which I absolutely reject. In criticizing the "security ideology," the current regime is using a form of intellectual terrorism to strike at what it claims is demagogic on the part of the opposition. One would have to be thoughtless or perverse to treat the legitimate fear of the people of France as a serious mental illness. Generally speaking, moreover, seeking to discredit one's adversary by representing him as insane is typical of a method which is totalitarian, or at the very least, singularly contemptuous. Never have freedoms and safety seemed more complementary than during the long period in which an effort has been made, by the French left wing in particular, to represent them, out of pure idealism, as antinomic. It is time to take the fears and the aspirations of the people, which are, alas, entirely justified, into account. Fear must change sides. It is time to make honest people aware again of their numbers and to give them new confidence in their strength.

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POLITICAL

FRANCE

DEBRAY DISCUSSES FUTURE ROLE IN SOUTH PACIFIC

Paris LIBERATION in French 14 Feb 86 p 24

[Interview with Secretary General of the South Pacific Council Regis Debray by Jean Guisnel; date and place not given]

[Text] Regis Debray has just been appointed secretary general of the South Pacific Council by Francois Mitterrand. The former technical advisor at the Elysee Palace will be a part of this presidential group as of 16 March.

This council, established last 23 December, is the successor to the South Pacific Coordination Committee, which met for the last time in Mururoa on 14 September 1985, with Francois Mitterrand participating, during the Greenpeace affair. Mitterrand will convoke the new body in Paris on 26 February. Its voting members are the prime minister, the ministers of external relations, defense and the DOM-TOM [Overseas Departments and Territories], the fourteen ambassadors of France to the region, and the local military authorities.

LIBERATION: What is the future of France in the South Pacific? Will there still be a role to play there in the next century?

Regis Debray: If we want France to have an autonomous foreign policy, it will need its own strategic resources. Either, like Great Britain, we can carry out our nuclear tests in Nevada, or we can do so "at home". Nature has not provided metropolitan France with a desert, such as China, the USSR and the United States have. However, in this region we have one, both on land and at sea--in Mururoa, where we are on our own territory.

LIBERATION: Why "our own territory"? Doesn't this term smack of colonialism?

Regis Debray: I do not invest the term with any pathos. I quote from international law: the freely elected representatives of Polynesia are within the framework of the republic, in accordance with the September 1984 statute. The 1982 UN Agreement on the Law of the Sea establishes a 12-mile limit for the territorial waters around Mururoa and Fangataufa, where no one, either colonial or native, lived before the establishment of the CEP [Pacific Experimentation Center].

I would add another parameter which is decisive in terms of the usefulness of our presence--space. It is too often forgotten that space is controlled from the ground. The Pacific can allow France and Europe to establish control and processing stations for geostationary or orbiting satellites. For the time being, our ground segments are located on foreign territory, except for Toulouse and Kourou. The century of space will increase the importance of the overseas territories, because independence in space is necessarily international.

LIBERATION: You say that the South Pacific is essential for French nuclear testing. But we have seen that the Forum nations are increasingly opposed to it. Will it be possible to ignore this much longer?

Regis Debray: One can not reduce the importance of the French presence in the Pacific to the nuclear sector. We have an important technological, scientific and cultural potential there which we can make available to the region. In addition, we are the only nuclear military power which has opened its test site to foreigners (in 1983). Scientists from Australia, New Zealand and the Fiji Islands were able to establish that there was no radioactive pollution of the environment.

It is true that there is massive opposition to the French presence, with the nuclear issue as the pretext, and that it is based in the sources of unity in Oceania. These include the religious mentality, the Anglo-Presbyterian ethic, and the synthesis of the traditional law of the island people and the biblical morality of the missionaries from London. All of this is passed on to the Fiji people by the University of Suva, to date the only one in the South Pacific. It has trained the entire political elite of the region in the past 30 years, in whose view nuclear testing is simply immoral. This rejection has a mythoaffectionate basis, but it should not prevent us from providing information and explanations.

LIBERATION: To which the nations in the South Pacific will remain resistant, in any case!

Regis Debray: These nations must be treated with consideration, in a spirit of openness and dialogue, whereas to date there has been a tendency to remain in entrenched camps, dealing with the Pacific of the 1980s on the basis of the thinking of the 1960s. In that era there were no independent nations in the region. Australia was not the rising power it is today, and the unity of the region against the French adversary had not developed. But we should neither suffer from any complex nor offer any apology for being there. We are in Mururoa with the free consent of Polynesia, an autonomous territory which receives a third of its budgetary income from the Pacific Experimentation Center.

The fact remains that the Forum of the South Pacific countries signed a treaty in Rarotonga in 1985 calling for the denuclearization of the zone. A delegation has just visited Paris to ask us to initial it, which was of course impossible. I fear that it is a question, under the pretext of denuclearizing this region, of excluding France from it and, in short, confirming unilateral Anglo-Saxon domination there.

LIBERATION: Your sole purpose, then, would be to liberate the Pacific from the Anglo-Saxon grasp?

Regis Debray: On the contrary. The presence of France in this region is related to its bilingual nature. Personally, I carry the passion for the French language to the point of speaking English. Let us abandon the fantasies of Fachoda. (In July of 1898, a military mission headed by Captain Marchand tried to occupy the Upper Nile region before the English could. The mission was forced to leave Fachoda following an ultimatum from London. This episode, which ended in March of 1899 with an agreement representing the final triumph of the British in this region, was seen by a part of the French public as an intolerable humiliation.) Australia is no longer a crown colony, and it is more Australian than Anglo-Saxon. I only ask that France be granted the right to be a member of the Pacific family on an equal footing.

LIBERATION: However, the French proposals for New Caledonia were not badly received. Might this not have served to relax the tension in relations somewhat?

Regis Debray: In New Zealand and in Australia there is an awareness of the efforts made by France to prevent a bloody confrontation between the two Caledonian communities. Although Australia dreams of serving as the protector of the region, it dislikes having a "little Libya" in New Caledonia. The way in which the French government defused this bomb was appreciated in this region. The Melanesian countries wanted the UN Committee on Decolonization to take up the New Caledonian issue, but the others did not support this.

No, the main issue, beyond nuclear testing, remains a kind of historic incompatibility between the Protestants and the Catholics, hierarchic customs and republican law, the English-speaking and French-speaking sectors. This is a long-term problem, and one of the goals of the Pacific Council is precisely to insist on a good neighborly policy and cooperation, to put an end to a certain arrogance and indifference on the part of France to local opinions.

LIBERATION: Is it possible to establish the cost to France of its Pacific involvement?

Regis Debray: It is minimal. Our budget for cooperation for the entire region comes to 1 percent of public aid for development. With an additional 1 percent, in other words the cost of four television films, a great policy could be financed there. It is a question of willingness and imagination, not of resources. Apart from France, there is no European power which has sovereign territory in the Pacific. It is true that the English have Pitcairn Island, with 67 inhabitants, who are, moreover, demanding French citizenship. (This little volcanic island, with an area of 5 square kilometers, located southeast of the Gambier Islands, was discovered in 1767 by the English navigator Philip Carteret. It was there that the mutineers of the Bounty and their Tahitian comrades found refuge.) But let us not revive this explosive issue! The British, with their admirable pragmatism, retain a very real presence in the archipelagoes, but with much more inventive forms of representation. This is the advantage of the Commonwealth.

LIBERATION: Do you agree with those who think that the Pacific is the future center of the world?

Regis Debray: No. In a world in which there are, fortunately, many centers, the Pacific should not become a demobilizing myth. There is a certain economic dynamics. The northern part of the Pacific is now a Japanese-American condominium (the trade across the Pacific has become more important for the United States than that across the Atlantic), and France has too small a presence there. But the South Pacific is a somewhat special area in which the East-West and North-South schemes do not obtain. On the strategic level, the world centers still remain, and will for a long time, the Atlantic and the Mediterranean.

LIBERATION: Do you believe, then, as geographer Yves Lacoste does, that the Pacific is a vacuum?

Regis Debray: No. The Pacific is empty of men, but the ocean is full--full of proteins, energy and polymetallic nodules. With 23 million inhabitants living on one third of the globe, with countries 25 kilometers square here and there, this seems a little ridiculous. But with the 200-maritime-mile limit, France is the third largest maritime power in the world, because it is also a Pacific country. And the oceans will be a capital resource in the 21st century. The "interbranch military complex" under construction in Noumea is oriented toward the future. Strategy abhors a vacuum. If there is not as yet any foreign threat to the South Pacific, it would nonetheless be wrong to regard it as miraculously protected. The USSR has already signed a fishing agreement with Kiribati, and the United States no longer has a naval force monopoly in the northern part of the Pacific. But even if it chooses to be denuclearized, the Pacific will always be nuclear "in the outer periphery," so to speak.

It is time to put the idyll of the southern seas behind us. The Pacific has become a factor in world affairs.

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POLITICAL

NETHERLANDS

CDA LIBERALS STILL SHORT OF MAJORITY

The Hague ANP NEWS BULLETIN in English 17 Feb 86 pp 3-4

[Text] Hilversum, February 17--The centre-right coalition government of Christian Democrats and Liberals would narrowly miss a parliamentary majority if elections were held now, an opinion poll showed at the weekend.

The poll conducted by the Interview Bureau for the socialist Vara broadcasting association showed a gain of 10 seats for Labour, the largest Dutch parliamentary party, which is in line with other polls in recent months.

In an election the poll would give the following distribution of seats in the 150-seat second chamber of parliament (September 1982 results in brackets):

Christian Democrats 49 (45), Labour 57 (47), Liberals 25 (36), Democrats '66 6 (6), other left 6 (9), other right 7 (7).

The group 'other left' refers to the PSP, PPR, CPN and EVP parties.

The group 'other right' refers to the SGP, GPV, RPF and CP parties.

/9317
CSO: 3600/26

POLITICAL

NETHERLANDS

LABOUR PARTY LOSING POPULARITY POLL

The Hague ANP NEWS BULLETIN in English 18 Feb 86 p 2

[Text] Hilversum, February 15--In a dramatic reverse of earlier party popularity trends, growing public support for Prime Minister Ruud Lubbers' Christian Democrats leaves the opposition Labour Party one scant seat ahead of its major rival, a poll published over the weekend shows.

The poll indicates that if an election were held now the Christian Democrats would win 51 seats in parliament compared with 47 in the 1982 general elections, while Labour is good for 52 seats, five more than in 1982.

The Liberal Party would gain 27 seats in the 150-member Second Chamber remaining consistently nine seats down on the 1982 election results, while the Democrats '66 party would retain its present six seats, the poll showed.

The poll was conducted among some 2,000 Dutch voters by the National Statistical Foundation (NSS) on behalf of the TROS broadcasting association.

The results differ from a poll conducted by the Interview Bureau for the Socialist VARA broadcasting association.

/9317
CSO: 3600/26

MILITARY

FEDERAL REPUBLIC OF GERMANY

'AUTONOMOUS DEFENSE' PROPOSES NON-VIOLENT CIVIL RESISTANCE

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 4 Feb 86 p 10

[Article by Hans-Heinrich Nolte and Lt Col Wilhelm Nolte: "The Risk of Self-Destruction is Taken for Granted"--A Concept of Autonomous Defense/Political, Rather Than Military Primacy Must be Regained]

[Text] A functional interface between military defense and civil resistance should render nuclear weapons totally dispensable. Those at least are the basic assumptions of a concept of "autonomous defense," which rejects joint responsibility for a nuclear cataclysm and which demands the return of political primacy. Lieutenant Colonel Wilhelm Nolte of the Bundeswehr War College in Hamburg has developed the basis of this concept jointly with his brother Hans-Heinrich Nolte and has presented them in his 1984 book "Civil Resistance and Autonomous Defense" (published by Nomos Verlag, Baden-Baden). In the meantime the active duty officer has further developed his ideas and presented them in several lectures last year. We are herewith presenting Nolte's concept, who claims to be desirous of providing impulses for the continued preservation of security in his role as a soldier and a citizen--a concept far removed from official defense concepts of the Western alliance.

1. A German-German Initiative for Alternative Security

The necessity for forward area defense as close to the FRG border as possible is often justified by an expectation of annihilation inside a 100 km-wide strip inside the border. In this context, mention is made of the roughly 30 percent of the German population which lives there and about 25 percent of a so-called "industrial potential." Mainly, there is talk of an insufficient depth of area, which is said to amount to only 250 km on the average. If we were to accept these figures as being correct, it might be of interest to consider the defense situation from the East German viewpoint for comparative purposes.

In an equally wide, border-parallel strip in the GDR we find more than 50 percent of that German population. Here too the other German state has settled more than one half of its "industrial potential." Also, the average area depth of 200 km in the GDR could lead to an equally total annihilation of that which is to be defended. Their worry over this appears to give sufficient courage to some GDR strategists to be unusually frank in their words with the Soviet power in disassociating themselves from the stationing of nuclear medium-range weapons.

In addition, the high command of the National People's Army must expect a much greater degree of destruction than does the FRG military when considering the relative density of military targets. The GDR has an incomparably larger concentration than does the FRG not only of soldiers (especially the Group of Soviet Forces Germany): not only of heavy, offensive-type weapons like tanks and heavy artillery: but also of tactical nuclear weapons. The numbers alone provide the picture: every 100 km² of FRG territory contain three tanks versus ten for the GDR: 341 soldiers in the FRG versus 513 in the GDR; every 10,000 km² in the FRG contain two nuclear weapon depots, versus three in the GDR. Finally, that 100 km strip of FRG territory has in it about 25 percent of cities with more than 50,000 inhabitants; for the GDR, the figure is 55 percent.

On the one hand, the above figures clearly describe the immediate battlefield superiority of the Warsaw Pact. They also indicate its apparently greater worry about a potential NATO attack, which it feels compelled to meet with a superior force. However, it also clearly demonstrates the inability of these forces which have been stationed there since the end of the war and constantly augmented since then, to launch the attack on which NATO has always based its threat analysis. Or could it be that the USSR realizes that with its troops in the GDR and a subsequent second echelon it would be unable to establish an equally dense occupation of the relatively spread-out FRG?

This opens further opportunity for daring suppositions, but also for calmer interpretations. But from an all-German viewpoint there must be a decisive insight that the risks of conventional destruction and nuclear devastation are considerably greater for the GDR than they are for the FRG. Realizing this, no soldier sworn to "defend the German people's rights and liberty courageously," must ever try to "liberate" the other part of the German people through offensive area occupation--not on a "suitable occasion;" not during an area-consuming counteroffensive; not in connection with any so-called "dynamic forward area defense." He who vows defense in the political dimension must not use the strategic-operational dimension which implements this policy, to cross that borderline to offensive operations which finds its expression in the territorial border between the FRG and the GDR. The argument of Sanctuary, which the Warsaw Pact states use to protect themselves against destruction, cannot be interpreted to mean the GDR so long as the latter does not independently, on its own initiative and for its own interest, attack the FRG.

2. The Nuclear Weapon Accords Primacy to the Military

The debate about strategy which started with the counterarming decision continues, though in different locales--be it orbitally-strategically defensive or territorially counteroffensive; "conventionally" nuclear or "intelligent" conventional; dynamically forward or static in front; Silesian-reactionary or operationally doctrinaire. In this the official strategies are not in question for the sake of debate, but because of their inherent problem areas.

Far and wide throughout the country there is talk of security policy dilemmas and of a strategy crisis. And the terms crisis and dilemma are in fact understatements.

If the problems are not solved by the outbreak of World War III, which nobody wants, they will tragically end up in such global catastrophes as nuclear winter. Tragically, because that which must be prevented at all costs, must be prepared for all the more conscientiously.

Even such efforts by professionals to reduce the risks incurred (e.g., "conventionalization") are quickly discredited as being designed to promote the initiation of hostilities.

They are destroyed even more quickly between the political grindstones of financial shortages, dreams of retaliation as well as fear of retaliation. They are least of all persuasive among those who seek to express their desire for peace in peace doctrines. They often cling desperately to those strategists who promise the way back to non-nuclear conventional warfare through unconventional means. However, those strategists carefully hide, in distant oceans aboard hidden submarines, that which they promise to eliminate: the nuclear weapons.

Thus, no strategy has yet been found which would prevent war or, if it cannot be prevented, would eliminate the risk of global catastrophe from it. One reason for this may lie in the fact that the creators of strategies never go far enough. Their alternating efforts deal with variations in appearance, tamper with weapons and their effects, tinker with military-operational concepts. They do not penetrate to the root causes. That seems to be more impossible than ever since the end of the decade of detente and the reemergence of power as a political principle.

There are no longer any meaningful discussions and maximum efforts seem to be directed toward improvements in the outward appearance of war materiel and methods; i.e., the military elements and their functional integration.

The presumed eagerness to wage war by the main subject of any NATO threat analysis is met with nothing more than the capability for waging war (described as "defense readiness") which is refined from one analysis to the next. The risk of self-destruction is taken for granted therein, to a conditio sine qua non, as proven by the stubborn maintenance of the first-strike option. Enemy deterrence turns into a worry that self-deterrence is not sufficiently destructive. "The Unthinkable" (Kahn) has long been permeating all thinking processes. (...)

It is not a case of the military having overpowered politics. Rather, the politicians have capitulated to the military. The world leaders, whose conflict potential is considerable due to the decline of North-South development, use what personal meetings they have to exchange information about the means of destruction aimed at each other. Military balance of power, though no one can define it, is accepted as the "mandatory prerequisite" for peace efforts (Alois Mertes). Political efforts for peace then are initiated only when the military category of power comparison, which defies definition, has been satisfied as a precondition.

War is no longer a continuation of politics with added military participation. The military is no longer the medium used in support of politics. Rather, politics has deteriorated into a means of reducing military primacy in time of peace. And this means is left to the discretion of the nuclear strategic good behavior of the adversary leader--one is tempted to say, at the whim of the rulers of this world.

3. Non-Violent Resistance is a Radical-Political Peace Strategy

There is widespread insight to the effect that nuclear arming is a prerequisite for waging nuclear warfare. There is no lack of insight to the effect that nuclear war is insanity. There is no lack of insight to the effect that it takes conventional armament to make conventional warfare possible. There is no lack of insight to the effect that even conventional warfare results in awful devastation. There is no lack of insight to the effect that war, in whatever form, must be prevented. There is no lack of insight into the fact that preparation for war for the purpose of preventing war (*si vis pacem, para bellum* [if you want peace, prepare for war]) requires schizophrenic planning and action.

But no insight appears to exist into the fact that means other than military ones might be available for prevention of war and defense. There is an overabundance of prejudices to the effect that every action requires an equivalent reaction; that armed force can be met only with armed force; that--in military terms--the best antitank defense consists of friendly tank assaults.

These prejudices are so well established that any concepts which result from insights are branded as being unscientific, impossible, removed from reality, or utopian. They are called radical, whereas they are radical only in the original meaning of the term, since they attempt to tear out the evil of arms escalation by the roots. They are attacked as being politically radical, whereas in a political sense they are infinitely more accommodating than any other strategy. They are cursed as being socially radical, while being more exacting in only a civilizing sense than any other strategy in Western tradition. Finally, they are accused of militarizing society, when in fact they are infinitely more anti-military, in fact non-military, than any of the civilized military societies in the West or East.

What we are talking about is non-violent resistance against aggression. At first glance it appears incomprehensible that such a strategy could come under criticism from the political side, considering the fact that renouncing violence by one state against other states is the subject of innumerable unilateral, bilateral and multilateral declarations, promises and treaties.

But a second glance, at the military establishment for violent defense against aggression, as provided in the declarations and contracts, shows that none of the contents of the declarations are binding enough to prevent them from degenerating into exactly opposite actions. On the contrary, the capability and readiness to use violence are specifically regarded as prerequisites for renouncing violence.

We must establish at this point that the strategy of non-violent resistance is primarily a political guideline for settling conflicts, whether in the interior or in foreign relations. The strategy in no way disclaims the existence of conflicts. It disclaims in no way the fact that the establishment of a potential for military violence is frequently nothing but a result of other militarily justifiable causes of conflict.

But it objects to meeting a reflex action with nothing other than yet another, qualitatively equal, reflex action. Rather, it subjects the conflict-solving process to a rethinking of the original cause--it pushes it back into the political arena. The strategy of non-violent resistance is therefore a strategy which aims at purely political conflict solving. It is therefore in no way politically radical; rather, it is radically political.

In this radicality it is better suited than any other strategy to the political requirement of preventing war at the political level, since it is devoid of any military resources. This however points up a shortcoming of the strategy which is not easily denied. It is based on historical experience that an aggressor who does not subscribe to the principle of non-violence would have a great military advantage in occupying a non-violent "defending" state. There would then exist a lack of military power to remove the aggressor from the state.

From a purely military standpoint, this reservation is accurate. However, under present-day conditions a purely military attitude would lead to the risk of destruction, annihilation and global cataclysm.

Having arrived at this point, we must finally dare to cast aside the "pure" viewpoints and methods of solution--military on one side, non-violent on the other--and to arrive at a mutual evaluation of the strengths of each. Why should it not be possible in this manner to recast the weaknesses of each into a new type of strategic potential embodying their strengths, which would permit total renunciation of a nuclear potential?

This is the path taken by the development of the Autonomous Defense concept. Up to now this is still a schematic, a thought serving as a challenge for continued thinking, a political impulse toward approaching the utopia of a non-violent world society.

4. Autonomous Defense is a Strategy for Preventing War

From a security policy standpoint a strategy of war prevention is being developed. It is called the strategy of preventing war. Contrary to the strategy of deterrence, autonomic defense particularly stresses the fact that the presumed aggressor feels in no way threatened by the defender. The resources at the disposal of autonomic defense are primarily of a political nature; the military elements play a subordinate role or one of equal footing with other elements. Even using his most malevolent interpretation, the presumed aggressor will not be able to discern any danger to himself, let alone

a threat. He does not find himself placed into a situation where he must make grave decisions within a few minutes, or to preempt such forced decisions by preventive actions. Autonomous defense per se provides no cause for frightened reaction. This is most clearly expressed by total renunciation of nuclear weapons (and other weapons of mass destruction). Autonomous defense categorically declines even a nuclear protective shield by one or more partner states.

Autonomous defense practices not only total nuclear abstinence, such as nuclear weapon-free states are today forced to practice anyway, but a sort of nuclear reticence. This political option results from the clear recognition of the fact that nuclear defense is an impossibility. Any attempt to use nuclear resources for defense anyway leads to the risk of escalation.

The worry about nuclear blackmail immediately surfaces. It is without foundation. Autonomous defense meets any attempt at blackmail with the immediate announcement to the world as a threat or preparation for genocide. Against the threat of preparation for genocide there is no other defense than immediately to denounce the self-evident perpetrator. As long as there is no world authority which is in a position to contain the prospective murderer there is no protection against his threat of murder. However, his murderous action can be prevented by judicious pressure by the peoples of the world as long as it remains merely a threat.

To inform the blackmailing would-be perpetrator of genocide that he and his people would be faced with the same fate as soon as his murderous action starts, would not eliminate the risk that he would be quicker in his murderous action than the victim in retaliation. An autonomously defending state would see no purpose in such retaliation. The purpose of autonomous defense is merely the preservation of self.

Autonomous defense is not totally defenseless in the face of nuclear blackmail and genocide. Rather, it declares that the autonomously defending state would counter any nuclear attack, be it political or military, with non-violent resistance by the entire state and the entire population. Such resistance would even more emphasize the obviousness of the genocidal act in front of the world population. There would be an increase in pressure for justification. The aggressor could be deterred from his original intentions.

Should the potential aggressor decide on aggression nevertheless, in other words, should the strategy of prevention fail, conventional warfare with enormous destruction still remains a possibility. But the deciding factor is this: the autonomously defending state would bear no responsibility whatever for nuclear escalation; it cannot challenge it, it cannot initiate the use of nuclear arms, it cannot retaliate with any kind of nuclear counterstrike. Nuclear first strike, second strike and any subsequent destruction of life remain the total responsibility of the murderous aggressor.

In this manner, non-violent resistance by the state constitutes a framework which unites the entire population in a common bond of responsibility for freedom from shared guilt for nuclear world destruction. The people are united in a politically free will to self-determination, self-assertion and self-realization, even including self-sacrifice within the same community of fellow-sufferers. It is neither subject to being frightened, nor does it hide behind resources which would inspire fright in others. Society as a whole is united in the conviction that military might cannot break the will for freedom; murderous weapons even less. Periods of freedom might be interrupted, but the spirit of freedom is invincible.

5. Autonomous Defense is a Strategy for the Preservation of That Which is to be Protected

For the case where the strategy for preventing war fails, i.e., for the case in which that is to be preserved which must be protected--country and people, living conditions and the quality of life--autonomous defense develops from a strategic-operational standpoint a functional framework of various forces which are political equals. They must make any aggressor consider, apart from material losses, primarily those non-material ones which would impair the inner substance of his power and which might be capable of dissolving it. An aggressor must not only face the fact that he can maintain a military occupation for only a limited amount of time. He must primarily realize the erosion of his power within his own center of power, even though autonomous defense does not provide for, nor permits, any kind of defensive action which extends beyond its national borders.

A potentially dictatorial aggressor would particularly have to count on the non-material damages and losses. They can be guessed at if one reminds oneself that the defensive power of autonomous defense is centered less in military material matters than in politically ethical ones: in a unified society. This becomes obvious in the functional cooperation of the forces of autonomous defense. They jointly produce the survival capability of the population, which is a prerequisite for defense.

The forces of autonomous defense are the armed forces, the forces of resistance and the protective forces.

The armed forces are military troops in the traditional sense. They are divided into forces, teams and units. They are led into the defensive battle under the traditional principles of command and obedience. In the defensive battle, the mission tactics on the part of the commanders at all levels and self-reliance in mission implementation by the subordinates determine the outcome of the battle.

The armed forces conduct the defensive battles exclusively in the areas between the "open," i.e., undefended cities. The armed forces are organized in a defensive fashion and are operationally and tactically optimized to deal with the aggressor's decisive attack options. Their weapons are characterized by light weight and speed, terrain traversing capability and suitability for concealment, firepower, hit accuracy and penetration capability, rather than by such things as armor and NBC protection.

The resistance forces are civilian "troops." They do not have combatant status and wear no uniforms. They are divided into elements of various sizes, having a variety of missions. These elements are carefully trained obligatory-service cadres which can be joined voluntarily by other citizens. They are led into the resistance struggle under the principles of cooperative leadership. The resistance struggle itself is determined by mission-trusted advance parties among the subordinates and unrestricted task formulation by their leaders. The resistance forces conduct the resistance struggle exclusively in the undefended cities. They fight entirely without weapons under the principles of non-violent resistance. Their type of action is characterized more by defensive perseverance and holding action than by aggressive provocation or challenge.

The protective forces are those units and subunits which in catastrophes or catastrophe-like conditions caused by weapon effects save endangered people in cities, towns or threatened areas; rescue the wounded and provide medical treatment for them; put out fires; relieve food shortages. They bear no arms, they do not have combatant status (see: Nolte-Nolte, Civil Resistance and Autonomous Defense, Baden-Baden 1984).

These three forces operate according to their individual operating regulations. Together, they save more of the population from direct weapons effects than is conceivable under the conditions of nuclear warfare, and more than is the rule under conditions of traditional area use. Autonomous defense provides for the civilian population survival areas in the "open," not militarily defended cities. For the population which remains in combat areas and inhabited areas under contention, shelters against conventional weapon effects are provided similar to those in Switzerland.

In the interface between military defense and civil defense, autonomous defense develops a new type of strategic potential. On the one hand, this becomes effective in the security policy area, where nuclear threat is firmly faced with freedom-oriented disdain. On the other hand, the aggressor is faced with a defender who cannot be vanquished by military force alone.

Should he still succeed in making the armed forces capitulate, this would be far from having broken resistance in the cities. And even if he should succeed in breaking the resistance in the cities--if, for example, he had them surrounded to starve them out--he would expose endless, vulnerable rear and flank areas to the armed forces.

But he will find it easy neither to gain a military victory, since the armed forces are capable of a variety of operational types and able to push the aggressor out of their country, nor can he count on destroying the resistance. He must assume that resistance aims in two directions. For one thing, it motivates the armed forces, since they can see that they are not alone and that the population is surviving. Secondly, the resistance will trigger an impulse effect upon latent resistance potentials present in the aggressor's own power center. The latter could thus be encouraged, upon the departure or reduction in the numbers of occupation forces, to engage in greater or more effective resistance against the occupying forces.

6. Autonomous Defense--Within the Alliance and Beyond

Autonomous defense of necessity forces the aggressor into the weakest point of his system. He must fear to lose political superiority within the system area because of the hoped for but not assured gain of territory or economic potential, since they are denied by military force.

Aggression against an autonomously defending state thus always entails three risk factors:

- great expense for an invasion, with chances of gaining the objective being highly questionable;
- worldwide revelation of its professed desire for peace being nothing other than an imperialist quest for power and hegemony;
- dissolution of the aggressor's system-inherent power structure.

On the other hand, autonomous defense enables the defender:

- to achieve political interface between military and non-military forces of the population despite divergent societal objectives;
- prevention of war on his own territory;
- to remove the aggressor from his territory;
- to lower the risk of nuclear destruction of his own population;
- to remain free of joint responsibility for worldwide nuclear devastation;
- to maintain his reputation as a state of Western civilization and culture.

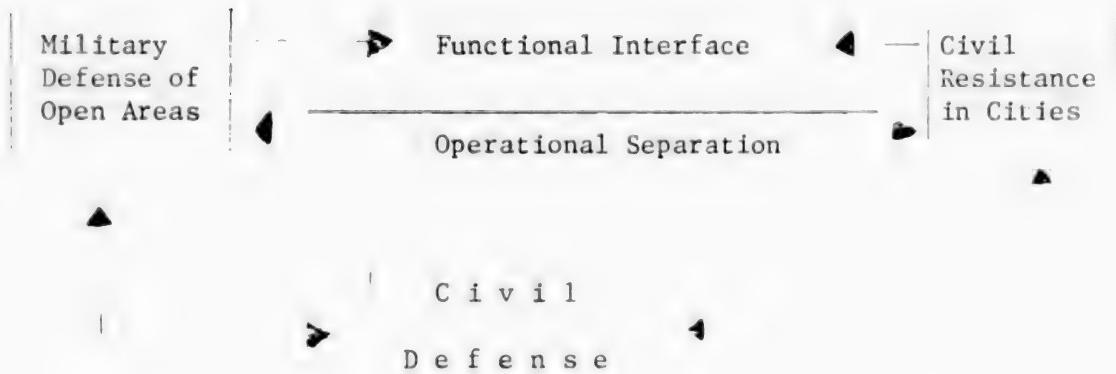
Autonomous defense once more restores political primacy by operationalizing the true political substance--a free society--rather than to overwhelm merely territorial or materially oriented "freedom" with military considerations.

Autonomous defense--applied perhaps to the first part of this article, to the part of Germany having obligations to NATO--makes possible a security policy and a strategy which gives more consideration to the divided nation than would be possible for a security policy and strategy which would increasingly accept the destruction and devastation of the GDR, initiated from FRG territory. Autonomous defense urges a less prejudiced self-recognition of the FRG in the Western alliance from a societal, domestic policy, German-political, alliance policy and foreign policy standpoint.

Irrespective of the viewpoint restricted to the FRG in this article and to an intermediate-term time frame, autonomous defense aims in the long run at the implementation of systems of collective security. This becomes evident when we consider the fact that the FRG--together with the GDR--is incomparably more exposed strategically than any other state in Central Europe. If that means that this seemingly utopian sketch of a concept could be further developed into a plan of implementation and find political acceptance for the FRG and perhaps even the GDR, then autonomous defense should be suitable for strategically less exposed states also.

S T R A T E G Y O F P R E V E N T I O N

Autonomous Defense Against Aggression



Non-Violent Resistance by State and Society Against
Nuclear Blackmail/Aggression

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CSO: 3620/557

MILITARY

FEDERAL REPUBLIC OF GERMANY

SANDRART REVIEWS ARMY'S WEAPONS, DOCTRINE, MANPOWER ISSUES

Bonn WEHRTECHNIK in German Dec 85 pp 10-16

[Interview with Lt Gen Hans-Henning von Sandrart, Army chief of staff and inspector, date and place not given: "The Army's Armaments Planning Still Stands"]

[Text] Planning can't be something frozen, final and untouchable, rather it must be capable of being adapted to new knowledge, new framework conditions-- thus the Inspector of the Army, Lieutenant General Hans-Henning von Sandrart expressed himself to WEHRTECHNIK. Thus plans can indeed be changed, should this become necessary. This is, for example, the case when there are difficulties with development projects like the self-propelled gun or the anti-tank helicopter PAH-2. The Inspector further explains what he means by "Army System," that exercises still make sense, that Army Structure 4 continues in development, and what tasks await for 1986.

WT: The Navy is getting two more frigates, the Air Force is getting 40 Tornado ECRs--it almost looks as if the Army would be the only branch of service to come out emptyhanded with respect to additional weapon systems. At times, too, one even gets the impression that the Army's plans on future equipment are still somewhat in flux. Is this impression correct, or does the Army's armaments planning still stand?

Lieutenant General Hans-Henning von Sandrart: You're cleverly combining a whole complex of questions, and at such a full-tilt charge, that I'd like to parry it by pointing out a few fundamentals.

The Army's armaments planning still stands, as it was decided upon as to key values in the fall of 1984 with the equipment-planning stock-taking and the personnel structure 90. But one must simply see, in addition, that, in its key-data form, the planning is not something frozen, final and touchable, but rather must be capable of being adapted to new knowledge, to new framework conditions, set by the budget, for example, changes in appropriations, and naturally also with respect to technical developments. To this extent, planning is not a matter of fixed deadlines, but rather a dynamic process.

The Army's equipment planning, furthermore, is not carried out in competition with other branches of service. Army planning is by its nature especially complex, not only because it must include a disproportionately high number of

projects, but also because of the varied nature of the latter. The other branches of service have far fewer major weapon systems--and this both in types and in numbers; the Navy, for example, has only a few ships of any given class, while the Army has a far greater breadth here, often with thousands of weapon systems--just consider the concept of the armored combat forces of the nineties.

The scarce resources in the investment part of the budget enforce a strict standard and naturally also new judgments time and again. Nevertheless, we can state in principle that the Army planning, in its key aspects, still stands. The big goal of the nineties--besides all the other projects such as improvement of command capability, utilization of modern technology in the field of munitions, to name only a couple--is the renovation of the Army's armored combat forces. The armored combat vehicles concept with its 3 vehicles--anti-tank vehicle, armored personnel carrier, and tank-destroyer/anti-helicopter vehicle--has now gone into the feasibility phase of development as a family--and I would like to re-emphasize--as a family. Thus, not just one combat vehicle at a time is being studied, but rather the entire family. Then at the end of the feasibility phase we will see more clearly how the family concept can be carried out and how the individual family members should look. The spread of options for the anti-tank vehicle has been broadened once more, so that the turret tank based on the Leopard 1 or possibly the Leopard 2 is also an option to be studied. The problem with this is that not just a qualitative gap, but also a quantitative one is to be closed in the nineties. A Leopard 1 as anti-tank vehicle would lead to a lack of main battle tanks, especially since we must also replace the 650 M-48's.

The Army's equipment planning can, as before, never be seen from the weapon-system standpoint alone, but rather, precisely as a result of the close interconnections in the framework of combined-arms combat, always be viewed in interdependence with other developments, including force-structure, doctrinal, and operational developments. Thus, the foreseeable developments in personnel are closely connected with equipment planning, which means that equipment planning must be viewed in close tolerances with the respective fine-grained force-structure planning for the nineties.

WT: Let's stay with the tanks. At the beginning of the year, WT dealt very extensively with the Army's planning for the armored vehicles. To what extent is this planning still in force, since the procurement of yet more Leopard 2's is in fact now being considered? From what other programs is the money for the battle tanks to be drawn, and will the unit quantity of combat-vehicle-90 family vehicles thereby be reduced?

von Sandrart: Here you are entering upon a complex that isn't ripe for decision yet. Based on a threat analysis and operational analysis in the south German area, the Army made a request to modernize the armored equipment of the 2 armored brigades of the 10th Armored Division, by replacing the Leopard 1 A4 with the more modern Leopard 2. This will first of all have to be worked into the overall planning framework. I can thus at the moment make no concrete statement on this--this too is dependent on financial appropriations, on technical feasibility and not least also on questions of overall force structure. In substance, however, the procurement of these additional battle tanks would alter nothing in the planning for the armored combat forces of the nineties.

WT: Originally, a PAH-2 anti-tank helicopter was to have been introduced sometime in 1986; then, after the German-French agreement, it was 1992; now it will probably be 1995. Are there gremlins in the PAH-2 program? What effects does this repeated delay have, especially as we have to figure that the cost will also rise?

von Sandrart: As we all know, we have difficulties now and again with multi-national equipment planning, because some of it takes more time and naturally also requires more harmonization, very often with system layouts marked by compromise. Yet I consider armament cooperation to be important for a lot of reasons for the sake of standardization, interoperability, cost considerations, strengthening the alliance, and also for the sake of the general trend toward the hoped-for integration of the European defense industry.

On the PAH-2 story: after a certain prelude that I don't want to go into here, the 1983 industry proposal was the impetus for the German-French agreement on common development of anti-tank helicopters. It really seemed to be an ingeniously simple solution, since it reduced the national viewpoints, which for a certain period of time looked almost irreconcilable to the 2 countries' army staffs, to a common denominator by means of the program structure: one basic helicopter with 3 derivative versions. In the light of this breakthrough in the direction of German-French cooperation, the Army had to revise its original planning objective of introducing a new helicopter with night-operations capability at the end of the eighties, and also had to set aside the alternative that actually still remained within the original timeframe, the AH-64 reconnaissance helicopter.

Introduction in 1992 was then laid down in initial planning. Industry's development efforts were to begin across the board immediately after signature of the agreement. Here indeed were no gremlins in the PAH-2 program, but rather "the devil in the details."

When it came down to finalizing the program, which had been proposed by industry itself, with all the legally binding basic stipulations such as performance guarantees, fixed-price commitments and contractual penalties for exceeding deadlines, it developed that, not only were the prerequisites for the program not yet present within industry, but also the specification framework for the weapon system was not drawn up in enough detail.

After industry had in 1985 lined up the prime-contractor arrangement that suited it--"Eurocopter"--and the corresponding staffing had gone up, the still-missing specification effort got a good start. The results prove that "framework specifications" are after all an insufficient basis for development. At the same time, this underlines the importance of close cooperation among industry, procurement, and Army.

I hope and expect, given the details on technology, costs, and time requirements available since the end of October, that, after coordination with France, we can now go forward into the actual development phase. Only then is the program really finalized. Notions like "delay" and "cost rises" should therefore await the judgment of time.

To what extent the scheduling ideas presently being put forward will become reality, I am as yet unable to determine precisely. Every postponement is an unpleasant development for the Army. On the other hand, however, we must also press for actually obtaining an anti-tank helicopter standing comparison, as regards effectiveness, with every other flying weapon system.

The Army Cannot Forego a Modern Howitzer

WT: The Army's artillery is presently being very much modernized, both in munitions and also--above all--in command-and-control systems. Soon we'll have the mid-range artillery rocket launcher. But what about the self-propelled howitzer 70? There were difficulties with the international development program, which led time and again to delays, and now to a partial blockage of funds by parliament. Does the Army need a new self-propelled howitzer at all in the coming years? Couldn't we wait until, for example, a howitzer with liquid propellant is developed?

von Sandrart: It cannot be denied that the development of the self-propelled howitzer 70 has not taken a desirable course. It is primarily system components such as, for example, the loading mechanism, that have not produced the expected effectiveness. Presently it looks as though the weaknesses in the existing concept cannot be entirely eliminated. This was the reason why the defense and budget committees drew the necessary conclusions by reducing the budgeted resources.

Now it is a question of reworking this concept and, in agreement with our alliance partners, Great Britain and Italy, resuming development, if possible with an altered concept that delivers the desired system reliability.

The "howitzer gap" continues to exist, and has to be filled by a new howitzer. Despite the difficulties in winding up the program, the issue for the Army will be to have the key temporal values, that is, the time-frame for introduction, as early as is in any way possible, through quick decisions in the multilateral framework. The Army cannot do without a modern howitzer.

WT: At one time the Army had, in Roland and Gepard, probably the most modern air-defense equipment in Europe. Can these weapons in their present form still deal with the threat, especially in light of the Americans' now giving up on their Divad program, that more or less corresponded to Gepard?

von Sandrart: This is correct. At this time, the German Army, with its rocket and gun air-defense mix, still has at its disposal the most modern equipment in the operational sphere. With the planned increases in Roland's and Gepard's combat effectiveness and their being tied in to the air-defense command-and-control system in the next few years, our air defense will remain modern and capable of handling the threat even in the next decade, and I believe also continue to be the path-breaker in terms of concept.

3MR Anti-Tank Guided-Missile System for Dismounted Infantryman

ST: I can still remember quite well one of your predecessors in office, Lieutenant General Hildebrandt's stating that the MILAN was the infantryman's

weapon of the future. MILAN has now been introduced; with regard to any broad use of the follow-on design, the 3MR anti-tank guided-missile system, however, the Army is being more than reserved. What are the most important reasons for this?

von Sandrart: At the present moment it is still too early for a definitive response to this question. As you know, we are actually just now to the point of finalizing procurement of the night-combat MILAN.

From there out, the utilization of the next generation of anti-tank weapon systems, including the 3MR guided-missile system, must be very carefully considered. We will continue to advance with development of the 3MR. The weapon should be employed everywhere in the Army where support against the attacking enemy is not assured by other means. Right here, too, the connection with the anti-tank combat vehicle can be seen. Based on threat estimate and technical plating characteristics, the cannon with the high penetration performance of kinetic munitions has turned out to be the most effective fire-and-forget system in defensive combat against tanks in the intermediate ranges up to 2,000 meters. The 3MR anti-tank guided-missile system is our goal as successor to the MILAN for all dismounted-combat infantrymen, that is, the motorized infantry and parachute battalions. The 3MR procurement volume depends, however, on the new Army force structure as well as on the cost framework.

It is true that we have the most interest in the 3LR anti-tank guided-missile system, that is, the weapon with the greater range, since this weapon system is closely linked to the PAH-2 anti-tank helicopter and the tank-destroyer/anti-helicopter combat vehicle.

Tactical Mobility an Emphasis

WT: The engineers stand somewhat in the shade as to public attention, and especially the bridging and river-crossing equipment. The NATO bridging system of the eighties, once decked with so many anticipated laurels, has not come to pass. Does this mean that the Army's requirements for water mobility and river-crossing capability have been reduced?

von Sandrart: The Army's requirements for water mobility and river-crossing capability must, for the future as well, meet the need for operational and tactical mobility. Our engineers are not, however, at the moment badly equipped as far as water mobility is concerned. This was in fact an emphasis in engineer equipment in recent years; the emphasis of the next few years lies in the area of tactical mobility, of overcoming obstacles, and of increased defensive capability against barrier weapons. In this field there are, in fact, a number of modern developments. Naturally, money plays a role here, too: the technically possible, the financially feasible, and the tactically indispensable must be harmonized.

What is the "Army System"?

WT: You occasionally speak of the "Army System"--actually quite a new expression for a branch of the service. What do you mean by it?

von Sandrart: A "system" is characterized by the capacity--but also by the necessity--for close cooperation. This applies to the Army in many respects. Thus, for example, it is impossible to simply separate the field army's tasks from those of the territorial army. In peacetime, for example, the training of reservists destined for the territorial army is impossible without "backward linkage" to the training of the territorial army, but also no training of field-army units in open terrain is possible without previous support from territorial-army organizations.

These are just 2 examples of the numerous interdependences and interconnections between the two parts of the Army. Thus we must justifiably speak of the single self-contained Army, even though certain divisions in the structure are necessary.

The system concept becomes yet clearer and more significant, however, when we consider the on-going evolution of combined-arms combat. This will in the future be faster, thus more dynamic, but at the same time more complex and varied as well. Thus the increased utilization of RPVs by the Army will lead to the inclusion of the airspace immediately above the battlefield in this combined-arms combat. This new quality of combined-arms combat can only be mastered if the latter is strictly oriented on the system concept, and if all support facilities such as, for example, reconnaissance and command-and-control systems are also tied in to this system-thinking.

The weapons carriers, which we liked to regard in the past as the crowns of their respective combat arms, will be able to achieve their effect only if they reciprocally support one another and if they are tied into a system of reconnaissance, of command-and-control and, not least, of air defense.

System thinking also means departure from a predominantly technical view of weapon systems, which has necessarily led to thinking in terms of successor models. It equally means liberation from a one-dimensional tactical view, that is, the so-called duel situation, for example tank against tank, personnel carrier against personnel carrier, or now helicopter against helicopter.

System thinking further means the insight that the Army's complexity cannot be evaded in planning, in equipment technology, or in operations and tactics. System thinking also corresponds to today's level of development of research facilities and operations-research studies. We must thus make increased use of modern research methods.

The Army, as opposed to other branches of the service, could make successful use of these possibilities only when the capability of researching such complex interactions as take place in this army-system branch of service was achieved. There is no combat so complex from a research standpoint as precisely ground combat. Operations Research speaks in such connections of a network problem.

A Broad Spectrum for Robotics

WT: A much-discussed theme at present is robots with artificial intelligence on the battlefield. Is this just a fashionable topic, or is there something

to it, in your eyes? Do you really see an unmanned combat vehicle--to mention one example--on the battlefield sometime in the near future?

von Sandrart: Robotics, first of all, is really basically just saying it's a question of a system that carries out certain tasks without the immediate presence of a human being. There was a kind of small combat robot already in the Second World War--I'm thinking here of the Goliath. Every RPV is also a kind of robot, the same is true of the reconnaissance drones. The Army must face up to technological progress, especially in light of the personnel problem. It's true in this connection also, of course, that the tactically necessary and the financially feasible must be seen in connection with the technologically possible and the desirable. There is a broad spectrum of uses for robot technology: it stretches from automation possibilities in logistics--in order to save people here too--through possibilities for combat drones, to innovative mine systems that get along without people. We must now sound out the advantages of cybernetics in the Army. In a few subareas we're already quite concretely with it, in others it's still rather a technology of the future. Here we have to consider very soberly: what can we use, what is feasible, what can be paid for.

Maneuvers Between Exercise Objectives and Environmental Protection

WT: In this year's fall maneuvers, according to some participants, there was too much regulation, predetermination, restriction. "Free" play was no longer possible, and that is the end of the "game." Is this true, are there--for example, because of environmental protection or upper-echelon maneuver planning--really too many restrictions? Doesn't this put in question the whole meaning of the maneuvers?

von Sandrart: Here we have to distinguish between the possibilities for free operational and tactical decisions by troop commanders and the possibility for translating these decisions onto the terrain, that is, onto a thickly populated landscape requiring protection, and in time of peace. Precisely this year's fall maneuvers, "Defiant Saxons," by virtue of its concept, gave the field commanders sweeping leeway in making decisions. The planned course of the exercise did take account of this. As always, restrictions arise in the course of combat on the terrain; they have certainly grown, precisely in connection with the growing vehicle weights; they also arise, however, from the free combat action. We will never get out of this dilemma of pursuing the exercise objectives and the necessary environmental protection and the reduction of burdens. This conflict was still well coped with in this exercise. But the point is in sight, at which we will have to say that the number and intensity of the restrictions is too great. With all necessary acceptance of restrictions, however, we must as a society somewhere or other pay the price that a meaningful defense does cost. We are all going to have to make a continuous effort to find compromises.

The experience of recent years has shown that there is a necessity for such exercises, since only in maneuvers can we really exercise interoperability, the cooperation of the allies. Equally, we can exercise certain interdependences only with troops in the field, since the well-known friction, that often

forces the field commander to new decisions and also confronts him with the reality of his own decision and its execution, can in the last analysis just be represented realistically only there--it won't work on a terrain model. We must, however, keep the burden on the population as light as possible.

Further Development of Army Structure 4

WT: Because of the smaller age-contingents, the Army's operational strength will probably have to be reduced from 342,000 to 320,000 soldiers--thus, by the strength of a good division. What are your ideas in this area? Will the Army's structure for the nineties differ basically from the present one?

von Sandrart: On the planning for the nineties, I'd like to make one thing clear: we will not be able to avoid a certain reduction of the active part of the forces. The planning intention, however, remains maintenance of a Bundeswehr effective strength of 495,000, and therewith an Army strength comprising the 3 factors: active forces, including soldiers fulfilling military-service obligations and those on long-term service, raising the population of reservists (who are after all part of the effective strength during exercises), and raising or restructuring the ready reserve, that is, those reservists who are in a specially rapid call-up status.

In order to anticipate the personnel problems of the nineties, the Army will further develop the present Structure 4 in an evolutionary way; thus we're not going to get any revolutionary new army. The goal in this is that fulfillment of peacetime missions, and also of our role in times of tension and actual defense, continue to be assured despite the small age contingents. We must also ensure in this that the new weapon systems that are to be delivered at the end of the eighties or in the nineties be organizationally incorporated. Overall then, no root-and-branch reform, but rather a modification, supplementation and improvement of the present Structure 4 under the pressures of the nineties. Here it is a matter of changing the structure as little as possible, in order to inflict as little disturbance as possible on the troops.

1985 and the Prospects

WT: What were the leading events of 1985 for you, and what is in store for the Army in 1986?

von Sandrart: For every soldier, the first thing is the net results of 30 years of the Bundeswehr: I can look with pride upon the fulfillment of a political mission. The recognition of this mission is the leading event of the year for us all. This constructive contribution of an army in a young state, with its integration into this state and into the alliance, is regarded, especially by our allies, as a very respectable performance when seen against the history of the German people.

If I may just speak for myself here: I've been inspector for a year now. And in this year I have been very impressed with how responsibly and loyally work goes on in the field and in the headquarters, even when there is always a danger that one will get nothing but a collection of examples of the negative on one's own desk. The good is accepted as natural, only the negative pushes to the forefront.

The "Defiant Saxons" exercise was surely also a high point of the year. Because of the problems I've mentioned, we naturally watch with some anxiety how the population accepts the burdens associated with it. Precisely in this exercise it was gratifying in this connection to see how great the population's understanding for these burdens is, as well as to know of the support the soldiers are getting from the preponderant majority of the population.

The Army's personnel situation has continued to improve: this is indeed necessary for overcoming the personnel problems of the future. The passage of the personnel-structure law was good for us. With it we are achieving a noticeable clearing up of the unbalanced command structure. The federal government's decision to lengthen the period of basic military-service obligation to 18 months in light of the nineties, has created clear bases for the future structure. It was an important building block for retaining effective strength, and a signal of our commitment to the forward defense of the alliance.

In the area of equipment, I would like to mention the example of the progress in night-combat capability through refitting with heat-sensing devices.

But for me it was also a year in which, together with the troop commanders at the April commanders conference, I could put the theme "Education and Training in the Army" in the foreground. The Army is well along toward modern and realistic training and education. As a further highlight, a new thrust could be given to operational thinking by the continued fleshing out of the conceptualization of forward defense. For the future, the leadership capability of staffs, and the contribution that officers in integrated staffs can make, will thereby be further improved.

In 1986, the challenges of the nineties will occupy us to a special degree. We must plan out the structure and fill it with life, this means, for example, research and field trials in certain areas. In the light of the nineties, the reserve components and mobilization capabilities must be revivified--here belongs the broad spectrum of training and exercise of reservists, creation of the structural, organizational and training-related pre-conditions. The establishment of WHNS [Wartime Host Nation Support] will be carried further, in the cadres, in the infrastructure, and in the facilities.

Precisely with respect to the nineties, the maintenance and expansion of the population of professional and long-term soldiers is of great significance. Next year the Army is offering 30,000 young men--who are suitable and can perform--the chance for a challenging and interesting profession; this is a rise of 10,000 in comparison to 1985.

Next, a structure and training concept must be created for the basic military obligation period, which has been lengthened to 18 months--the time must be, not simply lengthened, but rather meaningfully and substantively used, in light of future utilization of reservists, as well.

There will also be an army exercise in III Corps once again, under the denomination "Franconian Shield," with the first participation of a large French formation.

Not least, however, there remains, as a primary ongoing task, the effort for further improvements in leadership, motivation and service conditions (to which the question of period-of-service burdens also belongs) and the shaping of a personnel-oriented command supervision.

MILITARY

FEDERAL REPUBLIC OF GERMANY

EIMLER HAILS LUFTWAFFE'S AIR DEFENSE, COMBAT CAPABILITY

Bonn WEHRTECHNIK in German Dec 85 pp 19-24

[Interview with Lt Gen Eberhard Eimler, Air Force chief of staff and inspector, date and place not given: "With Roland, Patriot and JF-90, a Substantial Strengthening of Our Air Defense Will Be Achieved"]

[Text] In the year now ending, the Air Force has reached the goals set for it, in the opinion of its inspector, Lieutenant General Eberhard Eimler. He mentioned as a priority task for the future the efficient utilization of presently available and planned platforms by equipping them with modern armament and stand-off munitions. In this connection, particularly in respect to time-frames for introduction of the stand-off weapons, the inspector challenged industry not to proceed today on the basis of over-optimistic claims which cannot later be realized within reasonable time or cost constraints. On ECR (electronic countermeasures/reconnaissance aircraft) Lieutenant General Eimler states that it will improve the Air Force's reconnaissance capability--the RF-4E will be supplemented by ECR--but that ECR does not serve to improve the Tornado fighter-bomber's penetration capability. The use of ECR will rather improve the penetration power of older and simpler NATO air-attack planes.

WT: The year 1985, now ending, must really have been quite satisfying for your branch of the armed forces given the agreement on Fighter 90 and the preliminary decisions on Tornado ECR. What were the leading events for you? Have your expectations on training and flight safety been fulfilled?

Lieutenant General Eberhard Eimler: Yes, the Air Force can be satisfied with 1985: it fulfilled its mission and, as all examinations have shown, it reached the goals set for it.

The reassignment to NATO of the first Air Force unit equipped with the Tornado weapon system, and the delivery of goal-optimized weaponry such as MW-1 and Maverick are milestones, and not just for this year. They are first essential steps toward strengthening the urgently needed conventional defensive capability of NATO. Further steps will follow.

The Roland and Patriot air-defense missile systems are about to be introduced. Together with Fighter 90, a substantial strengthening of our air defense will thereby be achieved.

Approval of the tactical requirements for the Tornado ECR by the political leadership of the Federal Defense Ministry is an important step toward keeping the Air Force's reconnaissance capability and penetration power at the required level.

The efficient utilization of existing and planned platforms is being pursued by equipping them with modern weaponry and stand-off-capable ammunition. This is a priority task for the Air Force as well as for industrial research, development and production.

The Air Force airmen are in a high state of training; this is central to assuring combat effectiveness. Training must be realistic and mission-oriented. Yet flight safety has the highest priority in peacetime. This is no contradiction. I can state here, too, that the Air Force has kept its high standard even in comparison to the NATO air arms.

Fighter 90 Program Open for Further Partners

WT: This year an international agreement on Fighter 90 finally came to pass--only by 4 nations, to be sure--France felt it couldn't take part. Wouldn't it now be in order to talk to the Dutch, Belgian, Danish and Norwegian air forces on the basis of the agreement we now have?

Eimler: The Netherlands expressed interest in the EFA/Fighter 90 program as early as September 1984. The program partners agreed to a request for leaving aside the requirements established in the European Staff Target.

From the military point of view, I am open to participation by the F-16 nations in the European fighter program, for a high degree of standardization in European air forces is surely only to be welcomed. After the Turin decision the offer was in fact made to the F-16 nations to keep them informed on the course of events in the EFA [European Fighter Agreement], through the existing working groups of the Independent European Programme Group (IEPG). This is in accordance with the Turin decision document, which expressly lays down that the program remains open to further partners and that the decisions on distribution of tasks and on staffing of key positions would then be reconsidered.

For the accession of further nations, the framework conditions and ground rules in effect at the time of their joining will apply. It is unclear whether one or more F-16 nations will decide for EFA program already in its present phase, since the Netherlands, Belgium, Norway and Denmark have not hitherto participated in the development of military aircraft, but only in their production.

WT: Fighter 90 is to be employed in a pure fighter role--thus the fighter-bomber role now covered by the F-4F will not be covered. Isn't this a step away from flexibility in the Air Force, from the ability to utilize an aircraft for fighter or fighter-bomber missions according to the situation? Who's going to take over the F-4F's fighter-bomber role? Or is the air-attack mission being reduced in favor of air defense?

Eimler: The 175 F-4F's procured at the beginning of the seventies are to be replaced starting in 1997 by up to 250 Fighter 90's, primarily to close the gap in air defense.

Fighter 90, as a high-performance fighter aircraft, is optimized for the air-defense mission, but, beyond this--as a by-product so to speak--it is also adapted to parts of the air-attack area. In a clearly graduated way, and only secondarily, it will be able to take over partial air-attack missions and will to end have the capability to utilize air-to-ground weapons.

In judging the question of a "fighter-bomber/air-defense" role, we must consider the weapon systems in their overall context. In connection with the airborne systems, we can state that the Tornado with its excellent combat effectiveness and an Alpha jet with modern weaponry, together with the fighter-bomber capability of Fighter 90--as a byproduct--assure us a very high degree of flexibility.

WT: The Air Force is planning to procure 40 ECR-version Tornados. For exactly which missions will ECRs be utilized--are they missions that no other plane has been able to take care of up to now?

Eimler: With the Tornado ECR the Air Force will finally achieve in its reconnaissance capability what we have proved to be necessary in many studies. On the one hand these aircraft are to improve our reconnaissance capability, which is not yet sufficient--that's what the R, "reconnaissance," stands for. In fact additional modern sensors, which have only now become available, will come into use, such as e.g. FLIR (Forward-Looking Infrared). On the other hand, the Tornado ECR is to be used in a role which in fact has hitherto been covered only by the United States Air Force, namely electronic warfare. The aircraft is thus on the one hand a supplement, to cover the whole reconnaissance field, and on the other hand it is fulfilling a new mission, namely to have a means of reconnoitering and at the same time of combatting, radiation-emitting targets.

WT: The Tornado fighter-bomber's penetration capability will thus probably be improved by these means?

Eimler: No--You can't look at it in such a limited way. The Tornado fighter-bomber, that's the IDS version, is the aircraft with the greatest penetration power in the western inventory today. No other allied attack plane come close. Thus we need ECR, not primarily for the Tornado IDS, but to reconnoiter targets and open up paths, and thereby raise the penetration capabilities of the whole NATO fighter-bomber fleet--F-4, F-16, Alpha jet or A-10, which will still be utilized by NATO commanders in various tactical situations. Thus, and not otherwise, must ECR's role be seen. In addition, ECR will reconnoiter and combat targets that couldn't be readily acquired with today's resources, such as radiation-emitting command posts, especially mobil air-defense systems as organic protection for army units, which cannot be reconnoitered in advance. To give the Tornado IDS even more penetration capability, we need a weapon like HARM. With it the Tornado IDS can shoot its own way through the enemy air defense, for which target data will in each case be reconnoitered by ECR and transmitted to the Tornado IDSs over a data link.

RF-4E Reconnaissance Planes

WT: The RF-4E reconnaissance planes have been in use with the Air Force since 1971, that is, even longer than the F-4E fighter/fighter-bomber, which is to have its combat effectiveness improved. Are the RF-4E's also to be put through another combat-effectiveness improvement, or are the 40 ECR's a first step toward replacing them?

Eimler: It is true that the RF-4E reconnaissance aircraft have been in use in the Air Force since 1971. These aircraft will have just reached two-thirds of their expected service lives at the end of 1991; from that standpoint, therefore, there is no need to phase them out. On the contrary, Air Force studies of the extent of future reconnaissance requirements and of the possibilities and limits for covering these requirements clearly show that the RF-4E's reconnaissance potential must be maintained and supplemented. The Air Force planned the 40 ECR's for this, and they can in addition take over the important mission of combatting enemy air-defense and command-and-control facilities with specially appropriate weapons.

For keeping the RF-4E's in service, the Air Force is planning measures for the long-term maintenance of its combat readiness. Here it is a question of measures for strengthening the air-frame and of exchanging on-board equipment and ground components that are ripe for removal. Beyond this, measures are envisaged--in connection with a program for maintenance of combat effectiveness--to continue to guarantee the RF-4E weapon system's ability to fulfill its assigned missions. In this category, above all, are improvements in the field of acquisition and utilization of reconnaissance data.

Stand-off Weapons Only in the Nineties

WT: A strong air defense for the potential targets of the Air Force's attack units increases the requirement for utilization of stand-off missiles, so as not to endanger one's own planes too much. How far have NATO efforts for the required developments (e.g. long- and short-range stand-off missiles) been successful, and when do you expect the introduction of such weapons in the Air Force?

Eimler: The Air Force has for years regarded stand-off guided missiles as an important means of avoiding the effects of enemy air defense. Since the development and production of stand-off weapons, whether short-range or mid-to-long range, exceed the financial and, above all, the technological capabilities of the individual European allies, creation of these stand-off weapons has for years been attempted in NATO through multinational projects. After the appropriate phase documents had been elaborated, two multinational-cooperation consortiums were contracted a few months ago to submit suggestions for the technical development of long-range stand-off weapons.

Parallel to this, research and preliminary work is in progress at various European aeronautical firms for stand-off weapons for primarily short-to-medium range.

The Air Force has continuously updated its stand-off weapons planning in light of the threat, the technical possibilities and risks, the activities of other NATO partners and of industry, and the priorities regarding distribution of available resources. In light of this, short-range stand-off weapons to combat high-value stationary targets entail the smallest technical risks and should be producible first. Their availability is expected in the first half of the nineties.

Short-range stand-off weapons against mobile targets should be ready for introduction only at the end of the nineties, since the greatest technical difficulties must be resolved here, and long-range stand-off weapons against mobile targets are to be expected only around the turn of the millennium, since they represent the highest state of stand-off weapons development.

Let me just note on this occasion that, with regard to the possibilities for introducing modern munitions, industry--but also the specialized defense-technology press--often arouses hopes that cannot later be realized within reasonable time and cost constraints.

Mr.: Air defense is an Air Force priority for the coming years. What is striking is that there is relatively little linkage to the Army on this. Why is there still no automated interfacing between the relevant Army and Air Force command-and-control systems, something that promises better utilization of ever-richer reconnaissance resources, e.g. radar stations, and above all improves defense against low-flying attacks?

Under: All Air Force air-defense units are part of the overarching NATO integrated air defense, while the ground forces' air defense is assigned to the individual corps. This is thus in the first instance a question of mission concept and command structure. Communication (as, for example, fire control and airspace control) is maintained through Air Defense Operations Center Teams (ADOT) at the respective corps command posts, made necessary by the stationing of Air Force air-defense missile battalions, not only with German corps, but also with allied corps. The quality of these communications will be considerably improved in the near future with the introduction of the UK integrated command-and-control network.

A solution for automated data exchange can, under the given framework conditions, be found only over the long term, and in common with our allies.

The necessary interfaces--and therewith the interoperability of the air and ground forces' air-defense command-and-control systems--are to be developed within the framework of the future NATO air command and control system (ACCS). Concepts for this are at present being developed.

Roland Radar Ready in 1987, Firepower in 1990

Mr.: Delivery of the first jet and Roland air-defense missile systems is to begin in 1986. Are far along are preparations for this? Has training been started? Will the first Patriot battalion and the first Roland battalion be combat-ready?

Walter: The Patriot weapon system will be equipped with German accessory equipment, i.e., vehicles, power-generation equipment and communications equipment, before introduction in the field. This is presently being worked on. The first German-equipped weapon systems are expected to be turned over to the troops at the end of 1989; the first half-battalion will be combat-ready in mid-1990. Training of the first Patriot units will start at the end of 1987 at the Air Force missile school in the United States.

The Roland weapon system will be delivered in the form of 3 pre-production units in 1986; delivery of the production run starts in mid-1987. Since parliament agreed on 16 October 1985 to the intergovernment agreement with France, the necessary procurement contracts can now be signed.

Training will take place at Army training facilities starting in 1987. Combat personnel will be trained at the army air-defense school in Reidsburg, technical personnel at the 1st Technical Unit School in Fischbachtal. The first Roland battalion, the 42nd Air Defense Missile Battalion in Schneek, will be combat-ready in 1989.

Hawk Director: Cooperative Solution Sought

Walter: The Hawk air-defense missile system must be replaced around the turn of the millennium; the Air Force is thinking here of a new mid-range air-defense missile system. What requirements have you set for the mid-range air-defense missile system? Is it to be able, for example, also to combat tactical ballistic missiles? Are talks with European allies already ongoing, in order to arrive at an international development program? How far can the United States also be included in this program?

Hindert: It is correct, that the Hawk weapon system, which will then have been kept in service for almost 40 years, will have to be replaced around the turn of the millennium by a ground-based tactical air-defense system. The tactical requirements for this system are just now being finalized.

After a number of other NATO nations are facing a similar situation, either the one in the NATO armaments review (C3M) or in the CFE, therefore, with United States participation as well—and also in the European framework (CFE)—are occupied with the formulation of a common requirement, on the basis of which cooperative solutions will be sought.

It would be too early, to say anything more about planning values and performance data. This much, however, is certain—in the concept studies, the alternative solutions are being held up against the entire future threat spectrum from a cost/benefit standpoint.

Hindert: Activation of Reserve Battalions

Walter: In September the Air Force activated the so-called "second battalions" of the 24th Fighter-Bomber Wing in Leipheim, for fighter aircraft operations. Are these units ready now enough to provide a reasonable combat readiness—100 percent?

Eimler: According to present military-leave arrangements, mobilization exercises can last 12 days at most. Past experience shows on the one hand that 12 days suffice for achieving exercise goals and on the other hand that reservists do not want to be separated from their ongoing work for unnecessary lengths of time.

With this exercise, another step was taken toward making a training unit available as a combat unit when called up and thus making full use of the resources available to the Air Force. I personally attribute the greatest significance to this attempt to make the best of what is available. The results have been preponderantly positive. This also shows that the attempt to better utilize reservist potential is correct. We can thus acquire highly qualified personnel for the Air Force in very many different fields of activity. Thus for example we used reservists as pilots and were able to determine that, with magnificent commitment, good performance was achieved. We therefore believed we are on the right path with the 44th Fighter-Bomber Wing, and we will swiftly develop the process further, so that rapid achievement of these units' combat readiness can be assured.

F-104G Reserve Echelon

WT: The 44th Fighter-Bomber Wing's Alpha jets were training planes from way-back. Wouldn't it also be possible to keep some of the F-104G's that are still serviceable and to start a kind of reserve air force with them along the lines of the Air National Guard in the United States?

Eimler: The Air Force is presently testing whether the institution of a F-104G reserve echelon is possible, and whether air operations can be carried out with the available personnel with partial reliance on other resources.

The pending decisions have been made dependent on careful cost-benefit investigations. On flight-safety grounds, I do not presently foresee keeping reservists in training on the highly demanding F-104G weapon system. Should the institution of an F-104G reserve echelon come to pass, active-duty flight personnel from staffs and schools will probably be utilized. These are, however, at present just reflections, and not yet final pronouncements.

Fantrainer: Versatile, but Must Get Quieter

WT: The Air Force tried the Fantrainer this summer. What were the results? Can there still be an introduction of this model in the Air Force? What do ideas on future pilot training look like--particularly in view of the fact that the Air Force will soon have only European-developed combat planes left in service?

Eimler: The Air Force investigated the possibilities for using the Fantrainer, in a program that entailed 220 flight hours and the use of 40 experienced pilots from combat and training units. According to our observations, the aircraft is basically suitable for selection training; it could in addition be utilized also for supplementary unit training. The Fantrainer is thus a versatile aircraft. It stands out, furthermore, for toughness, high readiness

rates and good maintainability. Based on test results we find ourselves in a position to prepare exact cost-benefit analyses. These are presently being drawn up, therefore I cannot yet answer your question about introduction in the Air Force. Naturally, the narrow financial limits also play a determining role here.

Flight testing has in any case brought out one problem of the Fantrainer that would absolutely have to be resolved. The noise caused by the Fantrainer in flight may not indeed be too great objectively--here I'm talking about measurements--but it is perceived as very unpleasant. This led to noise complaints during the testing. We have to respect the citizens' noise perceptions as far as humanly possible, and we are not going to be able to accept any trainer that would unreasonably irritate the nerves of the neighbors of airbases.

As to the other part of the question: it is impossible to give you a final answer now on future pilot training. The Air Force--and NATO as well--are presently investigating several alternatives, for example, training in Turkey or retaining the European NATO Joint Jet Pilot Training in the United States.

Ideas on Transall Successor

WT: Discussions are presently going on the IEPG about a future transport aircraft that would someday replace the Transall and the Hercules. What are the Air Force's requirement for this aircraft like? When must Transall in fact be replaced?

Eimler: Presently 89 C-160 Transalls, that were introduced in the Air Force beginning in 1970, are still in service with us. Present planning calls for keeping the Transalls in service until 2010, after strengthening the wing and installing various devices.

The aircraft fulfills operational requirements and presents no problems technically or logically. Mission concept and [material apparently missing]... cargo transshipment are oriented to the C-160.

In order to strengthen the European defense industry, the IEPG defense ministers decided in November 1984 to have the possibilities for cooperation on a future transport aircraft investigated, which would one day replace the Transall and the Hercules in Europe. After stock-taking, needs estimates, and submission of various national requirements, it must be decided whether the various national ideas can be harmonized and whether the common research should be continued.

Our requirements for the successor system can be outlined as follows: a transport aircraft of modern technology with advanced propulsion (e.g., 4 turboprops); 3-man crew; use of standard strips of about 2,000 meters, and ability to land on a 750-meter strip; about 0.7 Mach cruising speed. It must be possible to transport 15 tons of cargo 4,500 kilometers. Maximum payload must be 20 tons. Cargo space, of about Transall's section, must 15 meters long, in order to be able to accept 6 or 7 pallets as standard load.

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MILITARY

FEDERAL REPUBLIC OF GERMANY

WELLERSHOFF CITES PROGRESS IN FLEET UPGRADING, AIR DEFENSE

Bonn WEHRTECHNIK in German Dec 85 pp 26-32

[Interview with Vice Admiral Dieter Wellershoff, Navy chief of staff and inspector, date and place not given: "Favor Continuity Very Sincerely"]

[Text] Since April of this year, Vice Admiral Dieter Wellershoff, an officer who joined the Navy in 1957, has been Inspector of the Navy. In the WEHRTECHNIK interview below, the Admiral, who among other things was once responsible for naval armaments on the naval staff, expressed himself on naval armament planning. Thus, current plans call for procurement of 5, in the long run possibly even 8 NATO frigates, besides the 8 Bremen-class frigates--a considerable contribution to standardization in the Navy and in NATO. Further important projects are 6 new submarines and 18 patrol boats. On the whole, the Navy's armament plans have been corroborated by what was learned from the Soviet large-scale maneuvers SUMMEREX '85. Besides armaments, the personnel problem also continues to be an area of emphasis. Here we will see greater use of reservists. Training is to be further improved, particularly gunnery training.

WT: This is WT's first interview with you as Inspector of the Navy, and, since you are slated for future Inspector General, it will probably remain the only such interview in our series of year-end talks. What did you set out to do as Inspector of the Navy? Did you want to establish new emphases, lay down different priorities? And how much of this do you think you can bring about in your rather short time in this position?

Vice Admiral Dieter Wellershoff: I certainly didn't intend to just start doing everything differently. I have had many opportunities to influence the Navy's thinking and planning in my former positions as well. I can, therefore, very sincerely pronounce myself in favor of continuity. The only thing that has received a different emphasis during my service as Inspector to date is our attitude toward our reservists. In this area, I think I have gotten a few things underway, of which some will certainly soon be ready for inspection.

Other things will stretch out into the nineties. In general, the Navy will continue to steer its present course--deviations from this course will stay within a tolerance of a few degrees.

WT: The law for early retirement of 1,200 Bundeswehr staff officers has led to a big rush of officers who want to leave. Mustn't the Navy leadership be asked what has led these often very qualified officers to leave the Navy? Is all well with the much-praised internal structure, the morale?

Wellershoff: At the end of October 1985, 250 applications for early retirement were before the Navy. That is 15.6 percent of all the career officers in question, birth-years 1932 through 1944, or around 30 percent above the Navy share of the planned total number, 1200 officers.

It is in the Navy's interest that the prescribed number of officers take advantage of the early-retirement opportunity the law provides, even if we must for a time accept gaps left by the departure of qualified officers. These officers will in any case contribute to the success of the law, and thus to an improved personnel structure. On the one hand, the decision for a new career orientation has certainly not come easy for the officers who will be leaving from 1986 on. On the other hand, the personnel-structure law offers qualified officers entirely new career perspectives, in which, in particular, individual interests can be better harmonized than during their past careers in view of the "locked-in" personnel situation for these age contingents.

All the officers who have decided on early retirement have my respect and my full understanding. From the positive reaction of 250 naval officers to the August 1985 restructuring law, we cannot deduce that the Navy's inner structure is not in good shape. The tone of many departing officers is, "I have done my duty. I liked serving in the Navy, it was a pleasure. But now it is time to go in order to make room for younger comrades."

WT: This July the Navy brought 2 new-construction programs into the building phase--the class-343 mine-layer and the class-423 fleet service ship. This has all been planned for a long while. The announcement of a seventh and an eighth Bremen-class frigate, which are now to be built after all, did, however, come as a surprise. How did this change in Bundeswehr planning come about? Was it just a case of taking advantage of a favorable moment--that is, of resources suddenly made available--or is this the harbinger of a shift in missions for the Navy?

Wellershoff: The building of the seventh and eighth Bremen-class frigate is based neither on taking advantage of a favorable moment nor on a shift in the Navy's missions.

It is simply a case of resuming long-existing plans, which is all the more pressing in that

- the planned new class-124 frigates, the NATO frigates, will be delivered later than originally planned,
- the 3 remaining Koeln-class frigates can be kept in commission only with quite a large outlay,

- there is an overall lack of surface combatants in NATO's north-flank area. From the standpoint of alliance policy, this is a weighty argument for carrying through the plans which, as I've said, have existed for long years.

WT: Because of the seventh and eighth frigates, only 5 instead of 7 class-124 frigates, that is the German air-defense version of the NATO class-90 frigate, are to be procured, and even these will be delivered later than originally planned. What effects does this have on the international program, in which Germany has, after all, almost the lead role?

Wellershoff: This question and the corresponding answer are directly connected to the previous question.

But first a correction: for the foreseeable future, the Navy needs a total of 8 class-124 frigates, which are indeed to be delivered later than hitherto foreseen--beginning in the mid-nineties; this fully conforms, by the way, to NATO plans as reflected in Project NFR 90. Therefore unforeseen effects on what you've called the international program cannot occur.

The need for 8 units is based on the decommissioning of the Hamburg-class destroyers (4 ships) in the second half of the nineties, and of the Luetjens-class destroyers (3 ships) starting in 2000. Thus we believe the NATO frigate can possibly be the design--at least as to the platform--that can be the successor of the Luetjens class.

It is to be regarded as advantageous that, after the delivery of the class-124 frigates, the destroyer flotilla would contain only 2 types, of which one would have half its "life" behind it, while the other would be brand new. Here arises the possibility of entering upon systematic follow-on planning, with the basic concept of half-generation change. And we've actually been trying to achieve this for a long time.

WT: Thus you seem to regard the results to date of the NFR-90 program positively. Have the hopes that were cherished precisely in regard to cost-lowering standardization also been fulfilled? Will there also be standardization in the areas of construction groups and of weapons, and to what extent can technologies, for example, in the development of weapons and sensors, be utilized in timely fashion before the delivery of the ships?

Wellershoff: On the results to date, it can be said that the tasks of the so-called "feasibility phase"--in German, concept phase--have gone off on schedule and, with the submission of the corresponding research results, the first decisive milestone, in time and money, has been reached.

The fact that 8 nations have succeeded in guiding a complex armament project through this phase with good results is a good sign for the future.

Standardization is not just a hope; cost-reducing standardization is an announced goal of the project. The first partial goal has in fact been reached here, as the research report I mentioned contains a ship design which displays a maximum of commonality. It thus forms an optimal basis, for all participating nations, for the next step: the project-definition phase. Beyond the concrete project, the program is an important contribution to

easing armament cooperation among the allied navies, among other things, because one of our goals, namely the design's modularity, is definitely shared by all the partners. Modularity means that components like sensors, steering equipment and weapons are built in interchangeable mechanical, electrical and software modules, and that they are connected by a universal data system.

Possibilities for using new technologies are constantly being pursued, in the NATO framework too, and are looked into in regard to their availability for the project. Initiatives for new developments also proceed from the project itself.

It is to be expected that developments that are underway will be completed by the start of the construction phase and that the NATO class-90 frigate will be a weapon system that will do justice to the demands of the late nineties and far beyond.

WT: What happens with the program from here on?

Wellershoff: The NFR- 90 industry organization, the International Ship Studies Corporation (ISS), has now delivered its report. The partner countries' governments must now evaluate this study, so that negotiations for the definition-phase memorandum of understanding can probably be started beginning in the spring of 1986. It is contemplated that this memorandum of understanding will be signed toward the end of next year.

The governments thus have about a year's time in which to make intermediate decisions, to produce national phase documents, to make choices on certain components for the definition phase, and so forth. At issue is the question of where the project headquarters will be established, which country will undertake which role, and the nations must in addition make a somewhat more binding decision as to how many ships they want to build.

WT: Germany has hitherto cooperated very actively in the NATO frigate program. Can it be said that the Navy will continue to play a kind of "promoter" role in it?

Wellershoff: Internationally, we would probably be somewhat overdoing things if we were to express it that way. But it is certainly true that the German Navy has been on board from the outset, because we are convinced that we are getting standardization advantages here that we would not otherwise achieve. Up to now, the official project headquarters--led by a Spanish officer--has been in Germany, as well as the ISS, and we want to play an active role in the future as well, since you can't advocate your own interests, military and industrial, without being committed.

Armament Planning is a very Delicate Puzzle

WT: You announced that--also as a result of the large-scale Soviet exercise SUMMEREX '85--you "wanted to make more speed" in certain areas of planning, and you mentioned the class-211 anti-submarine-capable submarines and the MPAs. What does this mean in detail? Will there be new plans on time-frame for their introduction, on the number of units and on their armament?

Wellershoff: Evaluation of the Soviet SUMMEREX '85 exercise confirmed that the Navy's armament planning has chosen the right emphasis. This statement applies both to the number and also to the development schedule of new weapon systems; in this case, that means the delivery of 6 class-211 submarines starting about 1993 and of 18 new MPAs starting in the mid-nineties.

The quote here about wanting "to make more speed" means that no delivery delays can be accepted. Changes in number of units or advancing certain weapon systems without changing any other plans is in any case problematical on account of the scarcity of resources. I will just cite the available budgetary resources and especially the available personnel. Armament planning is a very difficult puzzle with dynamically changing pieces.

SUMMEREX '85 Confirmed Correctness of NATO Strategy

WT: You informed parliament and press about SUMMEREX '85 in an impressive way. What were the most important lessons for the Navy from this exercise? Was it only confirmation of the known, or was there also new information, that will lead -- or at least should lead -- to decisions in NATO?

Wellershoff: NATO's strategic concept for the north flank has the goal of holding the key strategic sea positions of northern Norway, the approaches to the Baltic, and the North Sea. In the SUMMEREX '85 exercise, the Soviets demonstrated more clearly than ever before that they want to counter this concept offensively. SUMMEREX '85 therefore confirmed the correctness of the strategy pursued by NATO, and raised the credibility of our threat analysis.

For the German Navy the conclusion is that the conceptual orientation to the north flank should be continued, and that our own operational goal, of concentrating the concept of forward sea defense on the north flank by successfully covering the Baltic and its approaches, is logical. This means, as I mentioned, that the Navy is on the right path with its armament plans.

WT: The German Navy, together with the Danish and Norwegian Navies, bears the main burden on NATO's north flank. We are significantly increasing our commitment in the area outside the Baltic. But what about our allies efforts? Denmark, for example, actually wants to "retire" 2 frigates.

Wellershoff: First I'd like to somewhat straighten out the judgement you prefaced your questions with. We're always anxious to set forth the share the German Navy has in the defense of the north flank--and I can only speak for the Navy here--in a somewhat more nuanced way, as indeed we did in White Book 85. We say the Navy has a weighty part in the operations for the defense of the north flank. It puts up one-third of the alliance's naval and naval-air combat forces immediately available in the north flank area, and in the Baltic three-quarters of the naval forces and all the naval-air forces.

But now to the core of your question--I believe it is not up to me as Inspector of the German Navy to give out public statements on the armament efforts of our allies. Let just one thing be said: we're all struggling with the same difficulties, namely with the ever-scarcer resources of "money and people". What is to be done in this situation, doesn't seem to me to be so much a question of technical military expertise as it is a question primarily

of political will. We are going to observe developments in this field very carefully, not least in our own interest.

Physical Security in the Navy

WT: The Navy has joined the Air Force's ROLAND program and wants to protect its naval air bases with it. But what is the status of physical security generally in the Navy? How, for example, are the bases and the 2 naval arsenals to be protected--can that be done with reservists and machine-guns alone?

Wellershoff: Physical security in the navy includes--as you know--headquarters installations, airfields, ports, bases, naval arsenals and other land-based support facilities, which must be protected, among other things, from air and sea attacks. Among the physical-security forces and resources are naval security units, which are already partially activated in time of peace, and equipment units, which are only activated in crisis and war.

The spectrum of available weapons ranges from infantry weapons to small-caliber guns and anti-aircraft weapons. As you have already mentioned, the ROLAND air defense system is being introduced as the newest system.

Physical security will achieve a new dimension with the installation of command posts, from which the deployment of naval security units will be centrally guided. One must also consider that our logistical support for ships and boats is to a large extent based on floating facilities, such as supply ships, tenders and repair ships. In a conflict we will take these out of port as soon as possible, so that protection of the ports has only a relatively reduced significance. Reservists will provide the major part of the naval security forces in crisis or war. For this reason we try to exercise the reservists on the facilities that they will have to protect in times of tension and war.

Also to be noted: we're speaking here only of point security; there is, in addition, area protection, which the NATO air defense and our army comrades provide us.

WT: The school ship Deutschland is actually very poorly adapted to the modern sensor, guidance-system and weapon technologies introduced into the Navy. Is the ship still fully able to fulfill its training mission? Is new construction planned for the immediate future, and (to add this question right away) what has happened to the big battle-group supply ship?

Wellershoff: You are correct in your statement that the school ship Deutschland is no longer at state-of-the-art with its equipment. Nevertheless the ship can of course fulfill its training mission, for the success of training is dependent primarily on the personnel, on the trainers and their motivation. But something else bothers us: first, the ship requires a high equipment-maintenance expense, that is, its upkeep costs the Navy a lot of money. Then too, it is very personnel-intensive compared to a destroyer. So we are brooding, primarily because of the personnel demands of the nineties, on the notion of decommissioning the school ship Deutschland at the beginning of the coming decade. New construction is not at present planned.

Presently we send our officer candidates for training on the fleet's combat ships when the Deutschland is up for overhaul. This system has also been thoroughly successful, and will probably be used after the Deutschland's decommissioning. It has the disadvantage, of course, that not all of our officer candidates can make the somewhat more wide-ranging voyages abroad.

And now on the battle-group supply ship. We call this project "Combat ship supplier 90 (CSS 90)" today. The tactical mission for this new supply ship design is presently being developed in the surface-naval-war study group. We hope we can get into the feasibility phase in the middle of next year. The delivery of the first unit is being coordinated with the new generation of frigates.

Gunnery Training Being Improved

WT: The Bundeswehr's 30 years correspond to 30 years of peace. But this alone means, now that almost all the officers who served in wartime have departed, a peacetime navy with corresponding characteristics and clearly visible weaknesses. Is the Navy therefore considering meeting this situation in the fleet with better mission training, with better target representation, and with more firing under combat-simulating conditions?

Wellershoff: There are today really only a few officers who served in wartime left in the Bundeswehr, and therefore also in the Navy. This situation is not new for the fleet units, however, as officers with wartime service have not received sea-going assignments for some 10 years now. Wartime experience has since then been present only in the staffs of the higher command authorities. This experience of course influenced training guidelines, but in the execution of mission training aboard ships and boats, as it were on the spot, it has not been available for some time.

Naturally there are plans to improve mission training. There is no end to such planning, as our training must be oriented to factors which are subject to change, such as for example the threat, the development of new weapon systems and tactics, and also the experiences of other navies, for example in the Falklands conflict. What we are trying for is as realistic, as combat-like a training as is possible. This naturally includes, as you say, improved target representation and firing under combat-type conditions. In this connection, I would just like to point to the introduction of the sea-skimming target, that enables us to exercise defense against low-flying objects. Further, we will in the future be carrying out missile target practice in greater volume, that is, firing practice that serves primarily to train personnel in a tactical situation.

In general I can say that mission training was considerably tightened up through the introduction of flotilla-specific mission-training programs, and is subject to continual revision and improvement.

The Fleet Participates in a Great Many Exercises

WT: The next question also aims in the same direction--only a few navy ships participate each year in SEF or in Basic Operational Sea Training (BOST) in Portland; in STANAVFORCHAN and STANAVFORLANT, too, it is always only

individual units. Couldn't further similar exercise periods be scheduled, to help improve training under hard, realistic conditions?

Wellershoff: It is not correct to say that only a few navy units a year participate in SEF. Next year 10 units of the destroyer flotilla, 4 torpedo boat squadrons with 38 boats, 4 mine-sweeper squadrons with 57 units, and in addition submarines and supply ships, will participate in the 2 SEFs. Naval aviation forces will log over 700 flight hours in their sorties. From these figures it becomes clear that the overwhelming preponderance of the fleet is deployed in at least one SEF a year. Training at the Flag Officer Sea Training in Portland depends on several conditions. Thus the Royal Navy can make training capacity available to us only in limited amounts. On the other hand, BOST is a fixed component of the destroyer flotilla's mission-training program, and it is planned for all these units on a 2-year cycle. Altogether, 8 units of the destroyer flotilla will go to Portland in 1986. In addition, the destroyer Rommel will go through comparable training at the Fleet Training Group in Guatanamo Bay. When a unit gets this kind of training at 2-year intervals, this suffices for attaining the required combat-readiness, which is then of course further improved in other projects, since, outside of purely national exercises, our units actually participate in some 30 binational, multinational and NATO exercises a year. The fleet's exercise burden is already extremely high today.

Deployments in connection with STANAVFORCHAN and STANAVFORLANT are restricted to one unit at a time. This applies to all participating nations and is laid down in the relevant NATO agreement. When these formations are operating in the German Navy's operational area, however, temporary details of additional units are completely possible and indeed normal.

Increased Importance of Reserve Components

WT: In the future, reservists must be more intensively utilized. You mentioned this at the outset. What do the Navy's relevant plans look like?

Wellershoff: As I explained earlier, the significance of reserve components for defense capabilities is increasing. The need for quick growth from peacetime to defense strength, and the desired sustainability of the forces, including the Navy, require corresponding measures for the military training and the goal-oriented utilization of reservists. The increased importance for the Navy is made clear, for example, by my having assigned my deputy responsibility for reserve affairs.

The Navy must be in a position to grow to almost twice its peacetime strength in case of need for defense. It is generally recognized that this is not merely a quantitative problem, but rather a structural one. Thus, for example, the opportunities for reserve military training in floating units are limited by space conditions alone. We are also investigating the possibility of using individual decommissioned units as training units for reservists. Overall, the reserve-training slots are to be doubled by the mid-nineties. Then 18,000 reservists a year will train with the Navy. The "active" Navy must go through a process of change here, so that the offishness hitherto existing with respect to reservists in training is removed, and the latter can

be fully integrated into the on-going operations of the active units. Our plans are sure to bear fruit then.

We plan

- goal-oriented training for mobilization assignments as early as during basic training, in order to even out imbalances in peacetime and wartime structures,
- easier recognition of certain qualifications in connection with reserve training periods, by means of stronger recognition of civilian professional training,
- a closer integration of schools in the further training of reservists, and
- inauguration of further training opportunities.

WT: What will 1986 hold for the Navy? Will there be bigger overseas trips again?

Wellershoff: For many reasons, overseas training trips have a value for the Navy. They raise combat effectiveness under continuous stress, awaken the soldiers' understanding for the problems and special characteristics of foreign countries, and not least, they improve motivation for service in the Navy. Furthermore, they are in line with the federal government's concepts on the peacetime employment of the Navy. Our goal is for each unit to make at least one overseas voyage a year.

Again in 1986, a formation consisting of 2 frigates (Emden and Koeln) and a supply ship (Freiburg) will carry out a long training cruise. Visits to the Dominican Republic, Colombia, Mexico, the United States, and Venezuela are planned for this. Further, the Navy will detach units, as in each year, for STANAVFORLANT/STANAVFORCHAN, and participate with a considerable battle-group in the NATO "Northern Wedding" exercise.

The training cruise of the school ship Deutschland is surely a highlight. On this cruise, which includes among others, the Ivory Coast, Guinea, Argentina, Brazil, and Uruguay, the Navy will appear in South America again for the first time in 15 years. Participation, along with the frigate Braunschweig, in the Statue of Liberty's hundredth-anniversary celebrations in New York, 3 to 7 July 1986, forms the conclusion of the cruise.

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28 March 1986

MILITARY

SWEDEN

UPPER NORRLAND GENERAL COMPLAINS OF DEFENSE SHORTCOMINGS

Stockholm SVENSKA DAGELADET in Swedish 4 Jan 86 p 6

[Article by Erik Liden: "Insufficient Equipment, Poor Exercises Sources of Concern"]

[Text] Poor refresher exercises, insufficient equipment in the mobilization stockpiles and poor officer's training constitute an obvious risk that the conscripts' confidence in the Swedish defense will become undermined.

That salvo was launched by Maj-Gen Lars-Erik Englund, chief of staff of the Upper Norrland Defense District, who after almost 2 years in Boden has a critical opinion the Swedish defense capability.

"I have arrived at the firm conclusion that we in the Armed Forces must debate more openly our combined ability to assure our military capability," General Englund said in his recently held inaugural speech to the Royal Academy of Military Sciences.

Many Shortcomings

"A careful scrutiny of the totality of the wartime units and other defense resources shows many shortcomings."

At the military stores in Norrland there are considerable deficiencies, among other things. Englund points out too few technical means such as materiel for fire control, firing and liaison, as well as workshop resources. A typical reason for these shortcomings is often shortened production series, which new does not involve any manufacture. The ammunition stores are also insufficient at several of the dumps.

It is foreseen in the wartime plans that Army units, mainly after combat in the border regions toward Finland, should be pulled back and equipped with new personnel and equipment before redeployment in battle.

Gradual Deterioration

For 15 years the supply of materiel has gradually deteriorated, and General Englund now maintains that the usefulness of the wartime units after mobilization is more or less limited.

"Military inspection reports are often written in positive terms in order to support affected personnel groups which make devoted efforts to keep the materiel in usable condition. But addenda to the reports indicate shortcomings or errors in components and supplementary equipment, which in practice have a major impact on the wartime effectiveness of the unit."

Serious Vacancies

The vacancies in the wartime organization are also serious, in the general's opinion. They are often minor but have a major negative impact, since in general it is key personnel requiring special training who are missing. According to Englund, certain vacancies are due to incompetence in civilian and military authorities.

"One flagrant example is that Sweden as a whole has a sufficient supply of physicians and nurses, but the military organization needs so many that we could not cope with the strain which would occur if we had to go into combat directly after mobilization."

False Picture

The refresher training often functions well according to submitted reports, but according to Englund that is a false picture of the reality.

"A considerable number of conscripts are granted deferment, vacancies are not filled, a redistribution of personnel is necessitated and permanently employed officers must be "borrowed" from peacetime training in order for the refresher course to take place at all. As a representative of the military commander I am unfortunately forced to view the positive final reports with a large dose of scepticism. A large number of the units which are to be called up during mobilization have not completed joint and simultaneous refresher training. The situation is the worst within the Air Force," the general says.

Confidence Shaken

"The confidence which conscripts and officers place in us and their units is in danger of being undermined if they notice upon their arrival that shortcomings reported from the last refresher course have not been corrected," Lars-Erik Englund says in his speech.

three difference locations could have had visits from one intruder each. What are we expected to guess, if the military itself is only guessing?

With the insight of how difficult all of this is to understand for the layman, the supreme commander continues his gratifying new routine of putting more meat on the bones regarding the way surveillance is carried out and what difficulties crop up when trying to determine the identity of potential intruders. In the latest quarter as well the Armed Forces scored a zero in this respect.

The fact that extra space was devoted to "hydroacoustical" observations is probably related to the circumstance that sound recordings were involved during the surveillance operation last fall which the military itself appears to call "the Djuro incident." However, this does not seem to have been regarded so important that it was immediately reported to the government.

The fact that the military leadership exercises restraint in its description of the results of the analytic work is surely favorable. A briefing which is given official distribution should not fuel loose speculations. This does not prevent caution from easily turning into vagueness.

In a number of statements in recent days the Chief of the Defense Staff Bror Stefenson succeeded with the trick of simultaneously distancing himself somewhat from Hans von Hofsten's articles and supporting them. It is understandable that afterwards he himself feels worried.

But are we to perceive his various contributions as stating that the military leadership in fact likes people like Frisk and von Hofsten to express more brusquely matters which are not suitable for quarterly briefings or as official material for government action--but which the leadership itself would like to say? Do the chiefs actually want this to be said publicly in this manner? Or does it merely involve support for the personnel?

Hans von Hofsten has now been exposed to serious attacks from the Soviet news agency APN, of which the allegation of "fever hallucinations" is one of the milder ones. At that end there is apparently belief that those who participate in the Swedish security policy debate must exercise extra restraint right now--otherwise the atmosphere during Olof Palme's upcoming Moscow visit will be damaged.

The debate is likely to continue, however, on Swedish conditions. The atmosphere is determined more by actual events than by various kinds of assertions, both alarmist/propagandistic and cautious/optimistic. What remains before the prime minister's trip--in the gentle words of the supreme commander--is "great likelihood that foreign underwater activity has occurred on Swedish territory during 1985."

11949

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MILITARY

SWEDEN

MODIFICATIONS ON LATEST JA 37 STUDIED, TESTED

100th Production Model Presented

Stockholm FLYGVAPENNYTT in Swedish No 3, 1985 pp 4-6

[Article by the editors: "From 1 to 100"]

[Text] "It is not without pride that I take possession of the 100th Viggen fighter, which symbolizes a series of aircraft with a very high standard and efficiency, even measured by international standards. It is an aircraft in the championship class. Saab-Scania which has built the aircraft has created the preconditions for the efficiency of the system; after that it is up to us in the Air Force--our skilled ground personnel and our excellent pilots--to see to it that the system becomes an operational unit."

This was how the chief of the Air Force, Lt Gen Sven-Olof Olson, expressed himself in a speech during a simple ceremony in mid-August, when Saab-Scania delivered to the Defense Materiel Agency and the Air Force the 100th JA 37 unit. And the Air Force chief continued:

"An advanced aircraft costs a lot of money, and money is a commodity of which we do not have much. This has forced us to reduce the number of squadrons in the Air Force, despite the fact that the threat from the air is greater and more serious than ever. We have in no small measure been forced to pay for an absolutely necessary quality with quantity. And that has had the result that today we have Air Force units in Sweden which are of high quality, but which quantitatively are at the minimum operational level, which must not be allowed to drop further. On the contrary, there are today strong operational reasons for contemplating a relative reinforcement of our air defense."

"Therefore, I would wish that I could also celebrate receiving JA 37 no. 100 by being able to order an additional JA 37 squadron, which, however, is not possible because of the narrow economic frameworks the Air Force has had allocated to it. But let us not give up," the Air Force chief exhorted the audience.

"The Viggen fighter is today one of the world's most powerful aircraft. It will remain so for many years to come, thanks to the opportunities in Sweden for maintaining a live dialog between user and developer," the chief of Saab-Scania's aircraft division, director Harald Schroder, said on the same occasion and added: "Adjustments can also be made to new tasks at the rate that new technology provides new possibilities. Therefore, new improvements can be made continuously in order to provide the aircraft with a long life

with gradual adaptation to a changing threat picture, reduced operating costs and improved air safety."

Several new items have been added to the Viggen fighter since the aircraft was taken into service by the units in 1980. Recently, for example, a new infrared missile (heat-seeking) was ordered. It is the L version of the Sidewinder, which is useful against approaching targets, for instance. The Skyflash radar-guided missile, as well as the gun system (a Swiss gun with Saab-developed sights), can be used to attack targets both from the front and the rear.

The thoroughly integrated instrumentation with computer screens in the cabin from the beginning gives the JA pilots a good overview over the aircraft and combat situation, which contributes to the high combat value of the plane. The JA 37 has very high availability, primarily because of efficient computerized tests which rapidly reveal potential problems. These can be resolved effectively with the rapid replacement system of the Viggen.

The service life of the Viggen fighter will be very long, which is very advantageous financially. The threat picture and data will gradually change, however. An important property of a modern fighter aircraft is therefore "flexibility," that is to say the possibility of changes and improvement at reasonable cost.

The JA 37 possesses this property to a very high degree, partly due to highly developed computerization. The aircraft includes four reprogrammable computers and is also equipped with several so-called microcomputers.

In many cases changes can be accomplished solely by developing new software; in other cases by exchanging or adding equipment in combination with new software.

Work is continuously under way for the purpose of keeping the Viggen fighter at its peak throughout its entire life. As an example of such improvement, which has already been introduced, may be mentioned a system for communication between aircraft, called fighter link. The system enables effective coordination between the aircraft of the unit independent of their position relative to each other and also in darkness and clouds. This system has meant a considerable increase in the combat value of the units, and makes the JA 37 a very dangerous opponent.

According to available information, Sweden is not only ahead of other countries with this, but has also developed it at a very low cost, relatively speaking, due to the very flexible construction of the system.

The improvement activity for the JA 37 will continue throughout the entire lifespan of the aircraft type. In this activity the small country actually has an advantage over the big one because of the opportunity of close contacts between manufacturer, the Materiel Administration/FMV, the air staff and the fighter pilots of our JA 37 squadrons.

This activity prompted by the threatening view involves both Saab-Scania, Ericsson, Volvo Aircraft Engine, FFV [Defense Research Institute] and the workshops of our JA wings themselves. Besides increasing the combat value, the activity is also aimed at lowering operational and maintenance costs and increasing air safety.

The JA now represents the backbone of Sweden's air defense and will continue to do so well into the 2000's, when that task will fall to the JAS 39 Gripen.

Today, the JA 37 can be found at six of the Air Force squadrons. Another two fighter squadrons at F 16/Uppsala are in the process of having their Draken aircraft replaced with Viggen fighters.

Concluding this, there follow two detailed special descriptions of the technical and tactical development of the JA 37 Viggen fighter during the past years, two articles which also have a bearing on the imminent Gripen epoch.

Special Features Analyzed

Stockholm FLYGVAPENNYTT in Swedish No 3, 1985 pp 6-9

[Article by Jan Angner and Ake Lindkvist: Through 'PRI': New Viggen Fighter"]

[Text] The Viggen fighter has now been in service with the units for 5 years. Six out of eight squadrons have been delivered so far. The aircraft production at Saab-Scania will continue according to plans until the last two squadrons. The 100th JA 37, which was delivered at the end of August, is not quite the same aircraft as the first serial-built aircraft in 1978. Why? A legitimate question, well worth a detailed answer.

The fighter version of the Viggen family is a very large project, in which the objective of "best fighter system for our air defense" is not reached until a balance between technology and tactics has been achieved.

With an aircraft system of this complexity--with the built-in features which exist with many functions in the software--it is of decisive importance that continuing technical development of the system goes hand in hand with the threat development for our immediate region and does not come to a halt after delivery of the first serial-built aircraft.

Modern systems should be designed according to carefully studied specifications. But it must be completely clear that a system of this size, although it meets specifications at delivery, is not complete:

--A great deal of time passes from the specification phase until the beginning of delivery for the aircraft system.

--The technology is continually developing; often in a manner which cannot be predicted during specification.

--At the time of specification the tactical use of the aircraft system cannot be anticipated more than to a certain degree. The aircraft is to be used over several decades. The threat has time to change, perhaps several times.

Accordingly, preparedness and resources for additional development of both technology and tactics must be present even after serial production of a complex system.

It might be possible to say that if a project of this magnitude completely agreed with the specifications once it has entered service, then it is something of a failure. In that case the technical development and all

experience of both technical and tactical nature have not been taken into account and increased the quality of the system!

The type development capacity must be retained within the industry in order to assure the survival of a system of the JA 37's size. We must be able to detect flaws and correct mistakes in the program. We must be able to introduce improvements of an air safety or maintenance character. At relatively modest additional cost (in the range of 20 percent of the type service appropriations) these resources can also work with capability-boosting improvements--such as have appeared during the Air Force's tactical testing.

The JA system contains type service agreements between the FMV and the major contractors Saab-Scania, Ericsson and Volvo Aircraft Engine. The work is conducted approximately according to the "book and calculation principle." The chief of the Air Force as well as the FMV gradually establish the orientation of the work.

From a practical aspect, the work regarding capacity-boosting improvement is undertaken in working groups composed of all sides (15-25 persons), in which the FMV's project leadership and expert bureau, FMV:PROV, the industry and the Air Force (through the Air Staff and the TU [Tactical Testing] JA 37) participate. In these working groups--the foremost of which are the PM (basic aircraft-central computer) and SAMSAS (radar)--all proposals are discussed, program development is initiated, test results are reported and finally a solution is proposed for introduction. Flight testing and simulations are often undertaken in close cooperation with industry, FMV:PROV and TU JA 37. Implementation does not take place until the function of a change is the one desired and it corresponds to the original operational demand. The orientation of the long-range development of the Viggen fighter is included in the Air Force chief's system development plan for JA 37, and funding for the development work is included in the materiel plan.

There is lively discussion in the working groups. Pros and cons are weighed and evaluated. Since all participants contribute with their specific knowledge, with the aim of increasing the efficiency of the system in a wide sense, it is assured that the best proposals and ideas are actually brought out and realized. A very large number of improvements which have considerably raised the capacity of the JA system have been developed in this manner and were introduced after the first serial production delivery.

--Computer transmission of information between fighter aircraft.

--Increased transmission of STRIL [Tactical and Air Defense Control System] information.

--Improvements of radar and armament systems (anti-jamming)

--Improved aerial cannon sight system.

The next major field of work is integration of the air-to-air Missile 74 (Sidewinder AIM-9L).

Many improvements which are now obvious would never have been introduced or discovered without this close cooperation between the FMV, the industry and the user, the Air Force.

The Air Force's demands and ideas for tactical development of the JA 37 system are handled by the TU JA 37 at the F 13 base. Within the TU a handful of persons are working with the task of being responsible for JA 37's tactical testing and continued development within the air defense system of the future. The chief of the Air Force has decided that Tu JA 37 will be kept on for the time being. This is a wise decision and the little organization is well worth the money it costs. It is completely crucial for the preservation of a system--in order to be able to introduce improvements--that there is a competent body within the Air Force which can pose actual demands on the system and which is able to participate and push for the necessary technical type development work.

Proposals from military units, for example, can be made directly to the TU JA 37 or through the Air Force chief. Most are then dealt with by the working groups and many are examples of proposals which have been implemented. It is very important that there is a continuing dialog between users and designers. Not until then can the target of "best fighter aircraft" be achieved.

The PRI (PRI = priority flights) can be viewed as a part of JA 37's model development. This activity was conducted at the F 13 base during 1980-83. A special organization within the JA company insured that the chosen aircraft were flown at twice or three times the rate of flight activity at a unit. Six aircraft divisions flew a total of 3,000 hours within the program. Fourteen inspections were undertaken (of which two were major). A large quantity of equipment in the PRI aircraft was subjected to special follow-up. With the accelerated rate of flying it was possible to gain experience early on and to reveal weaknesses several years earlier than would otherwise have been possible.

Positive side-effects of the PRI activity were:

--All produced flight-time has been taken advantage of in unit production.

--Earlier start of JA 37 in the wartime organization.

--Faster and better conclusion of TU JA 37.

--The "status" of the PRI activity had the result that all weaknesses and mistakes were dealt with promptly by the levels involved within the FMV and industry. Everyone was interested in avoiding having "their" component in the system fail in the PRI program.

In some cases the PRI flight activity represented a verification of the reliability guarantees which the industry had provided in agreements with the FMV. Examples of such reliability guarantees are those for the Skyflash (Rb 71) air-to-air missile, the PS-46 target acquisition radar and the SA-07 automatic guidance system.

Through the design of the PRI program many flying hours were obtained within a short time and at one unit. This resulted in a good overview and favorable opportunities for actually obtaining all test results.

Furthermore, the PRI program provided information on the total reliability of the aircraft type. Answers were received early on to questions of the type:

- What are the maintenance intervals?
- What does the failure incidence look like?
- What can we expect in the way of availability in service with a unit?
- What spare parts/replacement parts are most frequently used?
- Are maintenance regulations and tools correctly designed?
- Does the aircraft system function in the wartime organization?

Technical and tactical type development activity of the kind being implemented for the JA 37 Viggen fighter is definitely something for JAS 39 Gripen. And so is the PRI activity!

Tactical Testing Results Described

Stockholm FLYGVAPENNYTT in Swedish No 3, 1985 pp 9-15

[Article by Ake Lindkvist: "Tactical Testing"]

[Text] Tactical testing (TU) of the Viggen fighter began approximately 2 years before flying with the JA 37 started in the Air Force in 1980. The tasks were the traditional ones for tactical testing: To design the training and a tactical program, in that order. Included in the work, but of lower stated priority, was to propose changes in the existing system.

When analyzing the tasks one finds that the task with the highest priority--to design a training program for the first squadrons--requires prior development of an objective and a tactical program for the training.

So as not to use old tactics and an old training program, there were strong reasons for prior, unbiased study of how the JA 37 ought to be utilized and what goal was suitable.

Two circumstances enabled "pre-tactical testing" to be undertaken before the first squadron retraining took place. The pilots who participated were already experienced with the AJ 37 (= Viggen interceptor) platform. Flight time was made available with the help of Saab-Scania in order to obtain early operational experience from "unit service" (accelerated service testing).

Early tactical flying inevitably produced the desire for changes in order to raise the goal for the training and the tactical capability of the aircraft.

Thus, the order of the subtasks for TU JA 37 was not the traditional one, because the Viggen fighter turned out to be special--with respect to both existing features and the ability to be able to fine-tune the system rapidly and at "negligible cost" to an extent never suspected.

What properties was the JA 37 found to possess? Well, a large number of favorable evaluations by the pilots, some of which are mentioned below:

--Excellent flying characteristics. Furthermore, a limiting-value warning system (GVV) which provides good flight safety in dogfights. Never before has it been so easy to fly close to the limiting values without the risk of exceeding the limits.

--An armament and system integration of the armament which makes the firing positions easy to reach. Using the Rb [Missile] 71 Skyflash is like deciding the outcome of the fight before it has started. It feels like cheating. Being able to fire an aerial cannon from the front changes the value of a cannon from a "reserve weapon" into a full-fledged member of the weapons family.

--A man-machine adaptation which makes everything easy, despite the aircraft being a single-seater. With respect to the cabin layout, the JA 37 has become a model for many future types of aircraft.

--The aircraft is easy to fly and easy to land. The flight time can therefore be utilized for that which yields results, that is to say tactical flying.

But merely enumerating superlatives about the Viggen fighter is unsatisfactory. Let us instead dryly but objectively look at what JA 37 has actually represented for our air defense. That is the essential thing, after all.

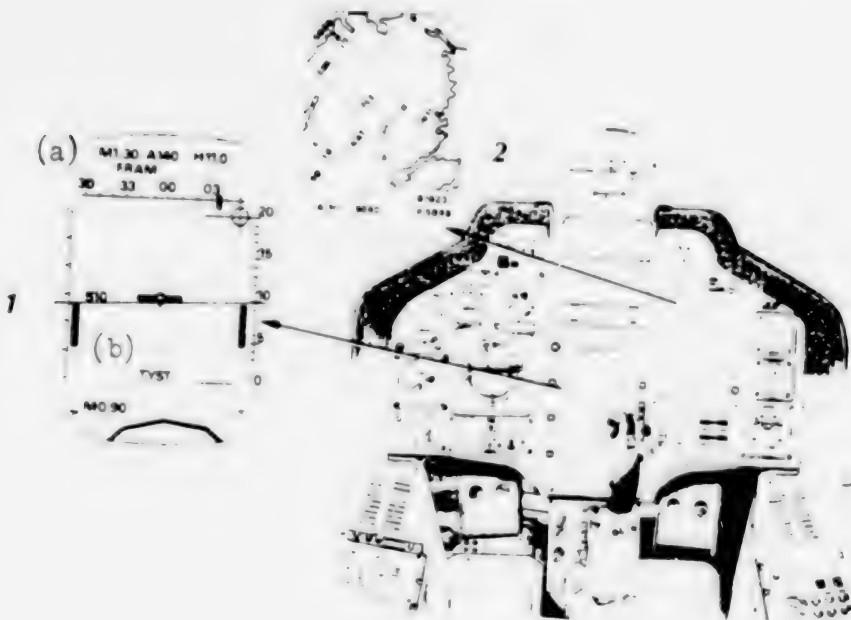
[Box, p 10]

Man-Machine Adaptation--Cockpit Layout

A well-designed pilot's seat, where the layout and maneuvering units feel natural, are of great importance also from the aspect of training. An ordinary fighter mission--tactically controlled attack--with the JA 37 is relatively easy to learn. This means partly lower training costs, partly that the majority of the flight training can be devoted to what is difficult--namely advanced aerial fighting. In order to further to increase the efficiency of the training the information on the display screens in the cabin is taped, in order after the flight to be played and analyzed at special ground playback stations.

1) Target indicator/MI--Electronic picture tube where radar echoes show up as symbols in a rectangular field. The vertical position indicates range and the lateral position the angle to the respective target. Symbols are also shown which indicate locking, target tracking, jamming conditions etc. On the TI can also be read information about the target from the tactical control, both in the form of symbols and numerical data about the target's altitude, speed and range. The picture is completed with information which enables the pilot to have an overview of his own aircraft location without moving his eyes to other instruments. Careful design of the layout has created preconditions for the pilot quickly to make tactically correct deployment decisions. With the aid of optical filter technology, among other things, good visibility has been assured even in bright sunlight. [Figure 1) on following page.]

2) Tactical indication/TI--Electronic picture tube, which gives a clear picture of the aircraft's own position and the tactical situation. The position and flight direction of both the aircraft itself and the target are overlaid on an electronically generated map. The map always shows the area around and ahead of the aircraft itself. The pilot can also place air defense regions and reference points onto the map image. [Figure 2) on following page.)



Air Defense

The air defense has several component duties, such as sounding alarms and taking action with fighter units or air defense units. Each task is solved by several partial functions which together form a functional system. The partial functions of the various functional systems are similar and consist of "detecting," "commanding" and "acting" (sounding alarm is also to "act").

Certain subtasks are shared by various functional systems, for example the Tactical and Air Defense Control System and radar stations which are responsible for early detection and command in all functional systems. The operational parts of the systems have different autonomous functions, such as different possibilities for acting if the entire system function is not intact.

An air defense must also be evaluated in the context of its threat scenario. The threat scenario for an air defense can be characterized by:

- The incoming aircraft may approach at low altitude (to delay detection).
- The incoming aircraft may consist of major units primarily in daylight and outside clouds.
- The aircraft may make evasive maneuvers, jam and defend themselves with ground-to-air weapons.
- Incoming aircraft may come in waves (concentrated in time).
- Incoming aircraft may come in streams (concentrated on special target areas).

Part of the threat picture is also the large surface we have to defend from the air and the number of conceivable, dispersed target areas we possess. Over the surface it is the enemy who chooses the time, place and his own strength. It is difficult and expensive to defend a large surface with air defense units in our threat picture.

The profile chosen by the Armed Forces for the air defense of Sweden is therefore an emphasis on fighter defense, and furthermore with all means to try to achieve early warning in order to concentrate the strength of our fighter resources.

We use air defense units for point defense of particularly likely targets for attack.

Fighter aircraft are traditionally the active function of the fighter defense system. But the TU process showed that the Viggen fighter had more than that to offer.

Partial Functions

The partial functions of the fighter defense system are:

- To detect approaching targets.
- To see to it that the fighter aircraft achieve contact with the targets.
- To create armed effect.
- To monitor in order to repeat the procedure.

How can the Viggen fighter, one link in this chain, reinforce the entire chain?

The Aircraft Radar

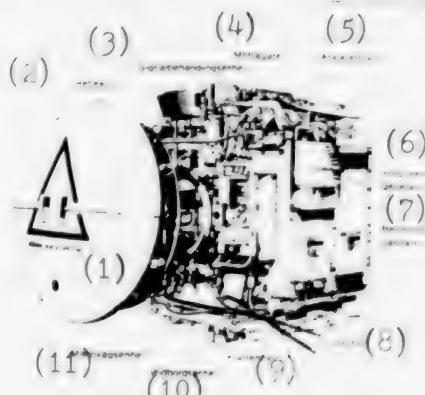
--In tactical deployment the JA 37's (Swedish-manufactured) radar turned out to be superior by a wide margin to the specification demands. The greatest radar range scale is perhaps not so impressive in comparison with other aircraft. However, the strength of the PS 46-A lies in being able to detect even small targets within its range (independent of attack direction and the altitude of the fighter aircraft/targets), whether the surveillance is taking place over land or at sea. The capability of the radar of detecting even small and hovering helicopters exceeds expectations. This positive fact fits in well with today's and tomorrow's threat scenario.

[Box, p 10]

Key:

1. Warning: Mobile antenna
2. Reflector
3. Signal processing unit
4. Receiver
5. Equipment mount
6. High-frequency generator
7. Illumination transmitter
8. Guidance unit
9. Power unit
10. Turntable unit
11. Microwave unit

JA 37's Air Interception Radar



In order to cover all occurring situations, the PS-46A radar has several operational modes:

Target Acquisition--The antenna sweeps back and forth over the monitored area. Various combinations of vertical and lateral coverage are available.

Target Tracking During Reconnaissance--A target selected by the pilot is automatically kept within the monitored area and is approximately acquired. The mode allows for unobserved surveillance of the target, which has difficulty determining that it is being tracked by radar.

Target Tracking--The antenna continuously tracks the target which is acquired with the necessary precision. During target tracking the radar can also transmit a special target illumination signal which is used by the radar-guided missile.

Range-Finding Against Ground Targets--The radar antenna is directed toward the target the pilot is aiming for and the range is measured.

We must anticipate that a potential attacker will expose the radar to intense electronic jamming. However, the radar must be able to complete its tasks even in similar situations.

Jamming suppression has been accomplished by means of the following, among other things:

- Monopulse technology, which has the result that amplitude-modulated jamming will not prevent tracking at an angle.
 - The Doppler principle, which provides insensitivity to echoes from loop jamming.
 - Narrow main lobe and effective suppression of signals from side lobes, which eliminate the effect of background jamming.
 - Great bandwidth, which has the result that effective noise jamming would require great power.
 - Program guidance, which makes it possible to meet new threats with rapid reprogramming of the radar's computer.
-

A radar without technical limitations (which restrict the tactics in a negative way) and which permits positive detection is ideal for fighter units acting autonomously (independently).

The Viggen fighter provides an entirely autonomous fighter defense system within the area where the unit is operating. In addition to achieving armed effect, the unit can simultaneously be utilized in order to provide the entire air defense with early warning for initiating more pursuit or for alarms.

The degree of increased early warning desired by the Armed Forces depends on the capability which the Air Force's Tactical and Air Defense Control possesses at the moment. The early warning is determined by the Air Force according to how far forward we order the JA 37 to operate.

Unfortunately, Sweden is too large and oblong in order to be defended only by autonomously acting fighter units. The greatest problem with the JA 37 is that the number of aircraft is too small. This means that rapid and reliable early warning is of utmost significance, as is our capability of being able to

concentrate to a sufficient degree our effective resources exactly where enemy approaches are actually taking place.

[Box, p 11]



The most important combat missions are:

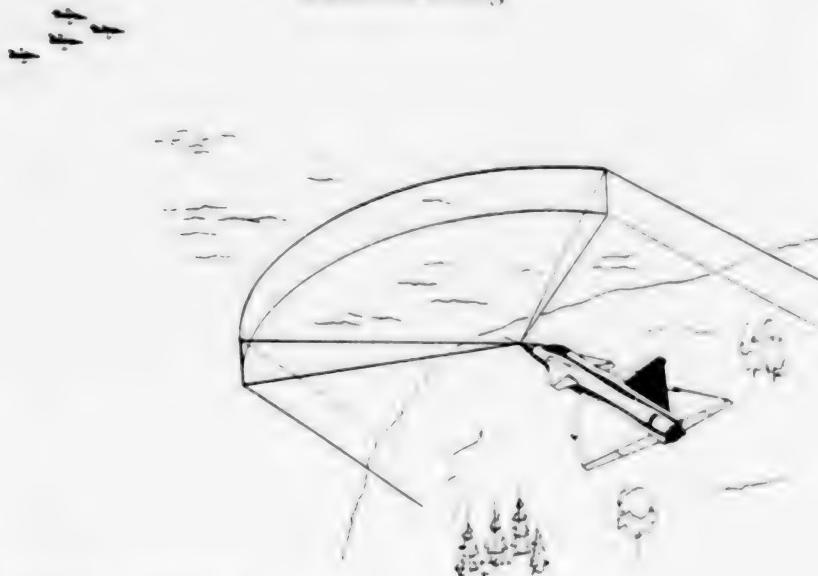
- Tactically controlled attack.
- Radar fence. Two JA 37's with their radar stations monitor a sector and attack detected aggressors. Utilized where tactical control has been eliminated through jamming or armed action.
- Intercepting sweep. Deployed in order to clear a certain area of attacking aircraft and helicopters.
- Attack mission against targets on the ground or at sea.

- 1) JA 37 maintains high take-off readiness.
- 2) Foreign aircraft on their way toward the country are detected by ground radar.
- 3) JA 37 is ordered to take off and is in the air in about 30 seconds.
- 4) By computer link the JA 37 pilot receives a control command in order to take up a suitable attack position. The computer link information shows the pilot where the target is likely to turn up on the radar indicator.
- 5) The pilot discovers the target on the radar indicator and orders the radar to track it.
- 6) The pilot chooses his weapon and guides the aircraft toward a suitable attack position. As an aid for this he has computer-calculated attack commands. The attacks can be repeated from different directions.
- 7) After the attack the pilot receives a navigation command to the intended landing base.
- 8) At the base the precision landing system is engaged, which allows for landing during very limited visibility and darkness.

[Box, p 11]

Radar Coverage

Radar tracking



Tactical Control Demands

--It is obvious that an aircraft with a large "radar basket" poses fewer demands on precision from the tactical control center.

Other factors influence the demand for tactical control. The layout in the JA's pilot cabin--tactical indicator with superimposed control data and target information from the aircraft's own radar--is so easy to interpret that the tactical control center is not really needed. The JA pilot himself can plan the attack.

The Viggen fighter is equipped with an inertial navigation system, which means that the aircraft system always "thinks" in absolute coordinates and can easily understand and present target information transmitted in this form. That is to say, the tactical control center is relieved of the requirement to be able to follow the fight with ground radar when using "geographical tactical control" (target information transmitted in absolute coordinates).

The consequence of all this is therefore that air defense information from systems other than ground radar (which previously had difficulty meeting the demands for precision for tactical fighter control) now provide target information (= tactical control) of fully satisfactory quality.

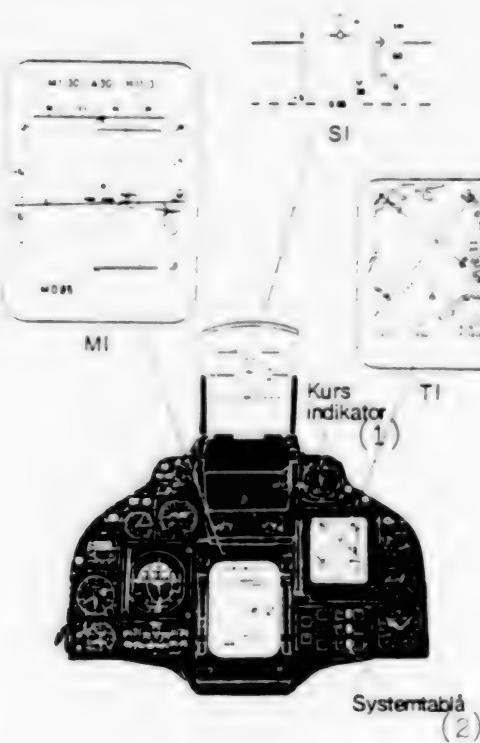
The Air Force is increasing the number of ground radar stations of the type which can quickly be given underground protection. To the JA 37 it does not affect the result whether the threat of an attack forces a ground radar station to take cover during an ongoing contact.

It is essential for the overall effect of the air defense that the JA 37's altered demands for tactical control provide opportunities for "tactical and air defense control tactics" in order to contribute to survival and endurance.

As everyone knows, it is difficult to predict what will happen. But the Viggen fighter is different. The JA 37 gives the pilot the outcome in advance. With tracking during reconnaissance and the rest of the cabin layout, the pilot is given everything he needs to know about the target area during approach. No special pilot measures are needed. Everything is free. Speed, altitude, deployment and potential escort can be read directly from the displays on the radar indicator and on the tactical indicator.

This enables target selection of the most important unit and early planning of the tactics for the entire course of the combat. During fighter attacks the pilot previously always felt as if he entered an "unknown room." But the JA pilot always does it with the light on. To use a foreign expression, this is called "situation awareness."

Direct Control Data Command



Key:

1. Course indicator

2. System panel

Radar reconnaissance against targets at lowest altitude over land. An approaching target recorded by tracking during reconnaissance provides information about the formation of the targets even at the maximum detection distance of the radar. From the MI (target indicator) the pilot can thus read the target unit's:

- Formation
- Speed
- Altitude

--Range

--Potential evasive maneuvers

The tactical indicator (TI) presents the geographical location for pursuit and target with speed vector presentation. The sight line indicator (SI) provides the pilot with target indication so that early eye contact can always be achieved.

Effectiveness

--Surely there are modern aircraft with better dogfight performance indices than the JA 37. But how essential is this? Who wants to (except when it is necessary) enter into a dogfight with a force of numerical superiority? The risk is great that despite superior aircraft performance figures the fight will be lost, because it is impossible to track the entire surrounding area. It is important to be able to shoot on initial contact, preferably at several targets, and to be able to get out of a situation which otherwise can turn out too difficult for the pilot. The Viggen fighter is developed as well as designed to be able to shoot at first contact.

Combat against many targets in a forward attack is normally regarded as a technical system characteristic. The tactical measure is how many targets can be fired at during frontal contact. In most cases the JA 37 possesses forward multitarget capability.

Tactical Choices

--Tactics, training goals and system development reflect what the Air Force specially stresses among the many application possibilities of the JA 37. Some examples of orientations of particular importance:

--Transmission of information to and from aircraft is the key to providing early warning and creating a concentration of force. The content is what is important in various situations. The transmission must be technically resistant to jamming and consist of several systems.

--The pilot often needs to have the right of decision to engage, if the opportunity of attack is not to be missed. BVR combat (= Beyond Visual Range = firing weapons before visual identification) is a problem all over the world. The Swedish conditions make it easier, however. We have a large territorial surface and relatively low density of aircraft.

We concentrate on having sufficient tracking of our own aircraft instead of identifying every track. Based on this, the exceptions to the principal rule that the pilot always has the right of decision can be made few and limited in time and space. Concentration of strength is not an exception to the principal rule, in spite of the fact that at that time many of the friendly units are located in the same area.

In many parts of the world this concept would be impossible, but in our environment and with suitably explanatory information it is possible. BVR weapons can be used for autonomous action even when the IFF (identification friend or foe) system is jammed.

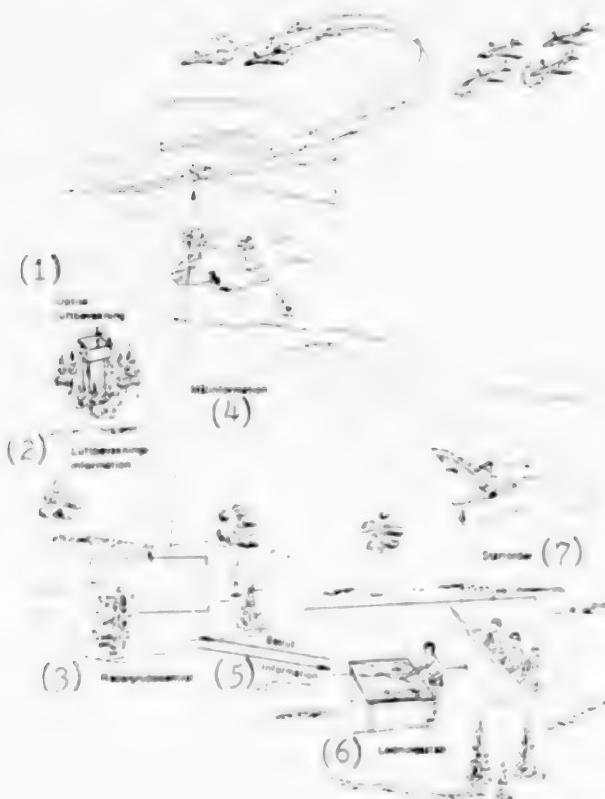
--We have chosen an offensive tactic. Forward engagement of many attacking aircraft at first contact has taken precedent over duels with fighter units of

equal size, in the event these situations pose contradictory demands. The defensive side actually does not suffer from this policy, if the pilot has the capability of avoiding going too far in situations which can develop into overly difficult ones.

It is essential to get as great a probable accuracy of fire as possible for every weapon fired. Great importance has been placed on the system to display that with which the pilot needs help. It is therefore just as important that the pilot has knowledge of the performance characteristics of the weapons and that he is trained in evaluating the factors which only the pilot can decide. The opportunities to evaluate simulated missile launches, among other things, are intended for this purpose.

[Box, p 12]

Radar Barrier With the JA 37 Element



Key:

- | | |
|---------------------------------|--------------------------|
| 1. Visual air surveillance | 4. Target information |
| 2. Air surveillance information | 5. Information, decision |
| 3. Radar group center | 6. Command staff |
| | 7. Takeoff command |

In the event of poor information on the ground about the situation in the air due to, among other things, the elimination of radar stations, jamming etc., the JA 37 helps maintain target detection during its own reconnaissance missions. The Viggen fighter maintains continuous radar reconnaissance for enemy targets and keeps its own position geographically with its tactical navigation system. The Tactical and Air Defense Control System continues to contribute with control data. These may involve a new position for the radar barrier or geographical positions when air surveillance or signal reconnaissance has detected enemy aircraft.

Training

--Everything that was possible to do with previous aircraft types is simpler to do with the Viggen fighter. Furthermore, previously impossible tasks can now be solved relatively easily. That sounds positive primarily from the aspect of flight safety. A pilot with a small work load runs less risk of exceeding the limits of his capacity. With its flexibility the aircraft has higher potential. Not to raise the aim from this initial position represents low utilization of the investment we made with the JA 37. Therefore the goal was raised. We increased the demand for power. We also gave the pilot new tasks.

Simplified, the duty of the pilot of the JA 37 may be described according to the following:

--Several simultaneous duties which require different ways of flying (visual unit flying and simultaneous systems operation).

--The pilot must learn to divide his capacity between the tasks.

--The pilot must learn to set priorities in various situations.

--The pilot must learn to limit his ambition to certain serious events.

One flight safety measure we undertake in order to dare maintain high goals is a longer, controlled training than for previous aircraft types.

In order to teach how to set priorities, ambition adjustment etc. in a complex situation, it is necessary to have training time. Others can only to some extent talk about how to do this.

Operational readiness is also somewhat later than for previous aircraft types. One reason for this is that a suitable level for limited operational readiness does not exist. The environment in which we need the most pilots is also the most difficult one, in which the entire aircraft system and all functions must have been fully mastered.

Another reason is that operational readiness poses demands for participation in application exercises (exercises with unknown content, in which the demands on the pilot to set his own limits increase). Pilots in their first year of pilot training (with a large number of applied exercises) have had a higher crash frequency than other pilot categories in the Air Force. This problem could become aggravated with the JA 37, since it is even more important for the JA 37 pilot to be able to impose his own limits in various situations.

Greater flight safety means "delayed" placement in a position which lasts for 15-20 years.

Repeated Forward Attacks Against Targets in a Column



Key: 1. Aerial cannon

The JA 37's armament and weapons load provide opportunity for densely repeated forward attacks against targets in column formation.

- Rb 71 [Missile 71] in the initial phase
- Rapid selection of Rb 71
- Repeated quick selection of aerial cannon forward.

The attack method is: Tracking approaching aircraft during reconnaissance provides target formation.--Initial attack and target acquisition provide eye contact.--When the formation has been read, eye contact with a rear unit (potentially illuminated) is achieved.--Quick selection provides new attack opportunity with full armament capability.

From 1 to 100.

--It is difficult to become disappointed in any part of the JA 37. Expectations have been exceeded in all respects. And they were high.

One of the TU organization's tasks was to propose improvements to the existing system. The governing principle was that the suggestions should bring about tactical improvements. Changes of the type "do it this way instead" in order to reach the same result often cost more than they are worth.

The large number of improvements which have been introduced in the JA 37 is in no way a poor grade for the initial level. We have only learned what "development potential" means for the JA 37 and for future aircraft. In most cases major improvements can be made at very little cost. A moderate amount of system development should in fact not be implemented until experience has been gained from tactical application of the system.

The JA 37's starting point was ideal. All essential basic functions were included in the system and the display was ideally clean. When experience from practical application was added, the functions could be adjusted with respect to the experience. The displays which the pilot asked for in various situations could just be added on.

Examples of changes which have been introduced:

--Early on the tactical information was altered from combat-relative to geographical tactical information (for previously described reasons). That also opened possibilities for increasing the amount of information transmitted through control data. Partly, the radar combat leader can describe in a better way what is known about the surroundings in order to facilitate the decision-making of the pilot, and partly several target operations can be transferred, so that the JA 37's appetite for capacity becomes sated.

--Fighter link--meaning a new data transmission system between aircraft--has been introduced. The system fulfills several functions. Jamming-resistant and simpler coordination of elements. Unit activity in darkness and IMC [not further identified]. During moved-up action the system provides both situation reporting and fire control.

Tactical Testing After 100.

--The tactical testing was limited in time at the outset. But primarily due to the continued system development the tactical testing has been extended for now and the activity has been reorganized.

Tactical flight testing now takes place when necessary and in coordination with FMV:PROV's technical/tactical testing. One, this saves resources and, two, the already good cooperation between the Air Force, the FMV and the industry (user and system developers) is improved.

The testing of the latest program version (of which fighter link was one component among several hundred changes) may serve as an example of the way tactical testing is now undertaken.

There were several reasons for the testing. The technical side needed quantitative tests in order to increase program reliability and for potential "debugging." New tactical functions had to be tested in later environments and during jamming.

Many changes have influenced the tactical and training directives. The introduction to a unit of a new program is quick but requires a certain amount of training.

The resources were created by borrowing a suitably large aircraft park as well as a ground force from various JA wings. The aircraft force was composed by the TU, JA wings, FMV:PROV and Saab-Scania.

The result after 4 weeks of flying was that:

--The program was well tested and in some cases "debugged."

--TU, with the help of the aircraft force, had had time to update tactical and training instructions for the new program.

--When the program was delivered, the JA wings had their own pilots trained.

Conclusions for the Gripen Epoch:

- A) JAS 39 is a component of several performance systems and must early on be flown tactically in all its performance systems. "Pretactical testing" is recommended as soon as a sufficiently large aircraft force is available. The coordination of the performance system needs to be analyzed. Goals and tactics for training must be correctly aimed from the beginning.
- B) In order early to obtain technical operational experience, an equivalent of the accelerated service tests/PRI should be started as early as possible. This provides flying time for "pre-TU."
- C) Tactical testing also affects areas outside the performance system of which the aircraft is a part. A high level of leadership as well as staff performance are likely to be needed in order to head the tactical testing.
- D) Preconditions for continued system development of JAS 39 Gripen are easy to establish from the organizations which developed the systems. Maintain continuity in the development. Opportunities for change in coordinating systems (such as the Tactical and Air Defense Control Center) must be planned and be possible to implement in coordinated time frames.

PHOTO CAPTIONS [photos not included]

- 1. p 7. From August 1980 priority flying with four JA 37 Viggen took place at F 13. The objective was to obtain information about the potential technical weaknesses of the JA system as a basis for early type improvement. In addition, evaluation material was needed for maintenance optimization. The idea was for two of the aircraft to have flown 600 hour after 2 years. The program was delayed a number of months during 1981, however, due to technical problems with the RM-8B engine. At the end of 1982, the experiences from the PRI activity were so favorable that the Air Force chie decided to increase the goals.
- 2. p 12. The oldest JA 37's were camouflage painted. They will gradually be repainted. The new mixed gray tint makes the Viggen fighter more difficult to detect visually in the air.
- 3. p 13. Left: Neat takeoff with the JA 37. A short takeoff run and excellent maneuvering ability create advantages even from the beginning.
- 4. p 13. Below: The JA simulator is invaluable. At the same rate as the improvement of the aircraft system itself, a modernization of the simulator software also takes place.
- 5. p 13. During general as well as tactical flight training, the JA 37 simulator is an excellent aid in order to maintain/improve pilot skills.--Above: Interior from the JA/SUL hall.--Below: Image from the SUL 37's graphic display.

11949

CSO: 3650/113

MILITARY

SWEDEN

BATTLE READINESS OF BRIGADES DEBATED

Inadequate Support Criticized

Stockholm VART FORSVAR in Swedish No 7, Oct 85 pp 8-10

[Article by Sven Sjolander, inspector of the antiaircraft artillery:
"Focusing on the Brigade--Escape From Reality?"]

[Text] In this article the inspector of the antiaircraft artillery, Sven Sjolander, takes up problems which urgently need to be discussed. His conclusion is that today's brigade chiefs and their staffs, who during mobilization must be able to accomplish with available resources all the tasks which are entrusted to them, are faced with unreasonable duties without the maximum support demanded by their position at the center of the activity.

For a long time our brigades--the infantry, Norrland and armored brigades--have been given priority regarding the replacement of materiel.

The most modern weapon systems, vehicles, means of communications etc. have first been introduced in these units. The multi-purpose units must be able to counter the most difficult opponent under varying external conditions. A number of years ago we were regretfully forced to conclude that the funds were not sufficient for renewal of the entire organization. Some brigades had to step back and keep older materiel. Lower demands were obviously also made for versatility in combat.

Internally, of course, a debate has been carried on about the balance between the brigades on the one hand and the other types of units in the Army on the other, primarily the so-called divisional units.

It has been argued many times that this versatility of the brigades in no way means that they can go into combat on their own. On the contrary; it turns out in all studies, all war games, all field exercises and not least in the experience of the world around us, that a unit with the composition and size of a Swedish brigade is hardly able to accomplish any major combat duties without considerable support from functions outside the organization of the brigade.

More artillery support, more air defense, more maintenance etc. is needed than what the brigade itself can muster. In general it has been possible to carry on the material adjustment process in a balanced manner. The brigade has been given a central position, well supported on all sides.

Has this material priority awarded to the brigades also resulted in the corresponding priority in training, organization and personnel?

Priority-Giving Under Control?

As for training, the Army has been hard pressed since the early 1970's. The shortened basic training has affected the entire Army and only for a few conscripts in the armored brigades has the training reverted to a somewhat longer one. The refresher training has been differentiated to the extent that the brigade units conduct entire wartime unit exercises, while other units as a rule have had to be content with a shorter training period.

The brigades, in particular those with the most modern materiel, have also been given priority from the aspects of organization and personnel. The turnover period is shorter for brigade units than for other units and the average age of the personnel is therefore lower. The age structure applies not only to the conscripts but to reserve officers and active-duty officers as well. The officer density is also greater for active and reserve officers.

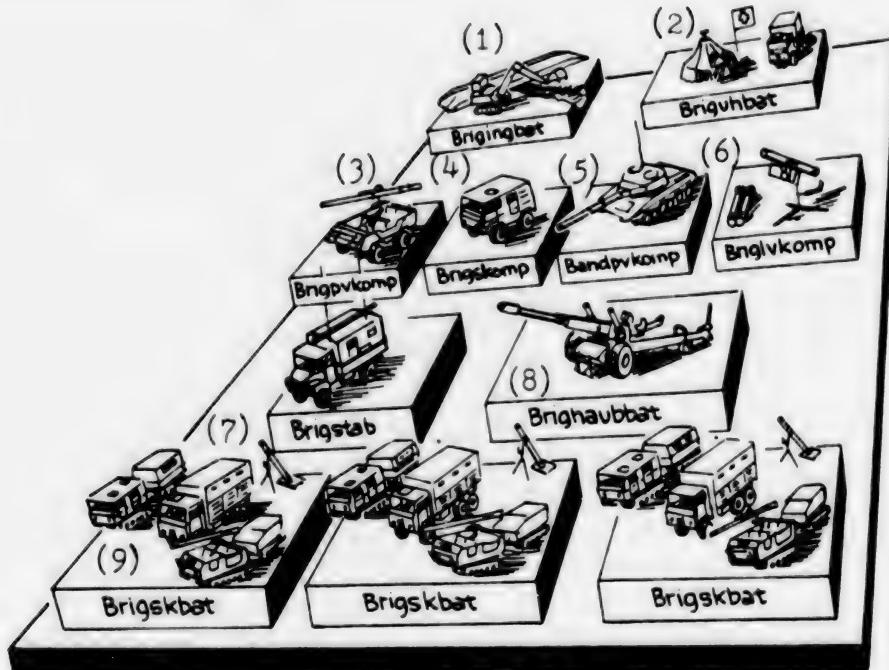
But a large number of and lower age for active-duty officers is not enough. Capability must also be included in the balance. Chiefs responsible for wartime assignment of officers have taken this into account to an extensive degree.

Every measure of the kind mentioned above and other similar ones in which brigade units have been given priority increases the costs for the brigade. Within a given--in recent years shrinking--framework this has a negative effect on other activities. In the main, however, there has been agreement over the years that the priority measures have been motivated. The brigade has been given central importance, but it has not been without support. Recently, against the background of the war cry "Better Readiness," a number of demands have been imposed on the Army, which in turn focused these demands on the modern brigades. An, in my opinion, runaway priority treatment of the brigades was begun.

However, readiness is a word which is perceived in very different ways by different people, both inside and outside the military organization.

Better Units

To some better readiness means primarily that the wartime units should be better equipped to fulfill their duties in war immediately after mobilization.



This is how the modern infantry brigade looks, which the chief has to control in a variety of situations.

- Key:
- | | |
|------------------------------------|-------------------------------|
| 1. Brigade engineer battalion | 6. Brigade antiair company |
| 2. Brigade quartermaster battalion | 7. Brigade staff |
| 3. Brigade antiarmor company | 8. Brigade howitzer battalion |
| 4. Brigade signals company | 9. Brigade combat battalion |
| 5. Tank company | |
-

This can be accomplished by improving training, improving joint training through more and longer exercises, and by thorough preparation of the plans for deployment of the units. To create better readiness in this respect for our brigades is costly and also meets with certain other limitations.

For example, it has not been politically possible to increase the training time significantly either for basic training or for refresher courses. Major exercises of the Norrsken and Vastgrans type in which brigades are training have become more numerous, but can scarcely increase in number for reasons of capacity and cost. They also have not been able to avoid criticism pointing to ineffective training at lower levels.

Many people are not satisfied with the results that have been achieved. The units must become even better prepared for war. The policy which is now being tried, in which some external limitations are not reached quite as tangibly, is improved wartime planning. More and more resources--time and personnel--are being invested in detailed planning of how the battle is to be conducted in the event of war. The brigade chief will gradually become more certain of how he wants the brigades to act in order to accomplish the tasks which are

planned. Concurrently with this increased certainty the idea has also emerged, that in their training the units can be focused more toward certain training elements and less toward others, according to the ideas of the wartime plan. The multi-purpose aspect according to the objective is being undermined in favor of the current combat mission. A dangerous path has been entered upon.

It is believed that the brigade chief must be given greater influence not only over wartime unit exercises but also over the layout of the basic training. This influence must, of course, include all partial functions within the brigade.

But must not the support around the brigade also be adapted to the operational plan?

Shouldn't the divisional units as well abandon portions of the objective in favor of the concepts of the current operational plan?

Better Planning

An operational plan is founded to a not insignificant degree on a prognosis for enemy action. After the battle has begun, attacks have been registered and the intelligence service is working to its full extent, the clever tactician can make favorable prognoses and reliable operational plans. But how about the reliability of prognoses and plans before a single enemy has set foot in our country? There is obvious danger that the greater security which appears to follow from industrious local planning activity is merely illusory. Dispellable uncertainty is often mistaken for genuine uncertainty. With far-reaching reconnaissance it is possible within a certain area to determine with increasing certainty the effect of the terrain on the battle. Even the impact of various seasons can be taken into account. The uncertainties are gradually dispelled. Little is known of the enemy's intentions in general as well as in detail. Careful studies of his organization and materiel only can only go so far. The most important questions about the enemy are genuinely uncertain. The answers are concealed in his secret operational plans and the brain of the enemy chief. Time and personnel are of little help. The uncertainty remains.

In order to make it possible to obtain any kind of comprehensive view of the work one is therefore forced in each planning segment to impose limitations on preconditions and alternatives. The final result is more an exercise in planning than something which can be made into a foundation for training priorities, for instance. This applies extensively to brigades, but also to all other units with a broad area of duties according to the existing objective.

If we do not achieve the goals for the training which are presumed in the valid outline of objectives for each type of unit, for example a brigade, it can be strongly questioned whether the brigade chief is the one to decide the deviations. A series of suboptimizations of this kind could quickly lead to a false overall optimization. High-ranking chiefs must take full responsibility for this process. Ultimately, it is a political question.

Better Mobilization

To others, better preparedness means that the mobilization of our wartime units is made faster and more reliable. The increasing capacity of the major blocs for surprise attacks and the resulting shorter military early warning intervals have gradually intensified the demands on mobilization readiness. The situation in the mobilization stockpiles must be improved, the personnel performance in the units increase etc. Improved command over mobilization, both in the form of control and planning as well as implementation, has attracted particular interest. The brigades have been given central importance, and the brigade leaderships have been indicated as those who have to solve the problems for the defense district commander. If only the brigade chief and perhaps yet another member of the brigade staff are permitted to serve permanently with the home unit, the matter is considered clear. But it is not that simple.

The brigade chief has available to him exactly the same amount on resources for control of mobilization security as the defense district commander. For planning and implementation the brigade chief lacks the overview of the mobilization responsibility for the entire defense region. It was this overview with opportunities for coordination gains which formed the basis for the OLLI [not further identified] organization. There is ample evidence that if mobilization leadership is to be improved, it should be done by reinforcing the present organization of the one responsible for the mobilization.

The brigade should be given central importance for the reason that it is given greater mobilization support, not just greater responsibility. The in itself desirable measure that important active-duty commanders and staff members to a greater extent than now should serve with their home units and thus be quickly accessible during mobilization, should primarily be retained in order to prepare for the fight that follows, probably even before the unit is fully mobilized. The brigade commander and his staff should not become a new command staff for mobilization under the defense district commander but should concentrate on becoming as quickly as possible the tactical command staff it ought to be. It should be noted, that the overwhelming part of the brigade staff consists of conscripts, reserve officers or active-duty officers from other units, which take time to mobilize.

Better Emergency Preparedness

To yet other people better readiness means better emergency preparedness, that is to say the capability of dealing with incidents of various kinds, such as violations of our territory, without mobilizing units.

Against the background of incidents in recent years this type of readiness has attracted great--even disproportionately great--interest by the mass media, politicians and military authorities. The previously mentioned forms of preparedness have sometimes been forgotten. Many do not realize that a major effort in emergency preparedness utilizing our peacetime resources within a given economic framework must necessarily be at the expense of the other forms of readiness.

The Army obviously plays a role in emergency preparedness. Large Army resources have been needed for example in Karlskrona, in Harsfjarden and other places.

Concerning this form of preparedness as well the interest has focused on the brigade commands. Peacetime-serving parts of these could, it is believed, form the defense district commander's command staff during deployment.

Events which require the use of units which maintain emergency readiness in peacetime may be of varying kinds. Two principal alternatives can be discerned. Either the event is of an isolated kind, that is to say of incident type, or it is a serious preparation--introduction--for continued acts of war.

In cases involving an incident the command is best exercised by the military commander--defense district commander--the chief of the emergency unit. The latter is generally a company commander or perhaps a battalion chief, if somewhat larger forces can be gathered. Utilizing a brigade chief with his staff as a middleman is overreacting and indicates great mistrust of our officers at the company and battalion levels.

If events of such a serious nature are involved that mobilization may take place, the command must be exercised in the same manner. Tying down a brigade chief, with the portions of his staff that are rapidly available in peacetime, for the purpose of heading operational units which for most of the year consist of conscripts in basic training, who are only able to accomplish limited tasks, must be wrong. The most important task of the brigade chief must be considered to be to prepare the military operations which the mobilizing brigade is to undertake.

Brigade Chief at the Center

The ideas that are now increasingly often brought forward imply that a brigade chief with his staff during mobilization must simultaneously, in several geographically divided locations, be able to:

- take over a part of the defense district commander's responsibility for carrying out the mobilization,
- under the defense district commander command operational units which consist of conscripts undergoing basic training, who for 9 to 10 months of the year are to be demobilized as quickly as possible,
- prepare for combat with the mobilized brigade.

How this is going to be possible, is difficult to understand.

The brigade, and above all its leadership, has been given central importance by being faced with unreasonable tasks, instead of being given the maximum support warranted by this placement at the center.

Why are no protests heard? One reflection might be that turning down bigger tasks and more responsibility is hardly conducive for promotion. When the final answer is provided to the question of whether this organization was appropriate, the answer will be uninteresting to anyone other than a military historian.

Brigade's Role Clarified

Stockholm VART FORSVAR in Swedish No 8, Nov 85 pp 13-14

[Article by Lt Gen Carl Bjoreman, commanding general of Military District South: "Escape From Reality Concerning Brigades"]

[Text] "The Brigade in the Center" was the title of an article written by the inspector of the antiaircraft artillery, Col Sven Sjolander, in the previous issue of VART FORSVAR. He called for debate of an urgent issue and he receives a reply. Lt Gen Carl Bjoreman, the commanding general of Military District South, welcomes the debate but is critical of the arguments brought forward. He believes that Sjolander's main thesis is weakly supported and accuses him of escaping from reality. The debate continues, however, and the last word has by no means been said.

A debate of our brigades and their preconditions is a sign that the subject is important and urgent. It is therefore gratifying that antiaircraft artillery inspector Sven Sjolander takes up this subject in issue No 7, 1985 of VART FORSVAR. Sven Sjolander advances many theses worth both attention and agreement.

For example, he warns against military planning in detail with limited prerequisites. That warning is justified. What we need right now is more exercises with complete military units, not more officer gatherings in order to refine theoretical military planning.

Sven Sjolander further argues eloquently that we should stick to designated command routes and areas of responsibility for operations and combat. That is also advice which apparently cannot be repeated too often. Above all in connection with the submarine incidents, the temptation to deviate was great. When that happened, confusion ensued.

The Principal Thesis

But Sven Sjolander's principal thesis, that we should pity the brigade chiefs, is weakly supported. His description of reality must of course be taken seriously. It says a great deal about how the preconditions for the Army chief's emphasis on brigades and other wartime units--"All for the Wartime Units"--is perceived by the central staffs. It is a depressing description--if indeed it describes reality. But hopefully there are other opinions of this reality, for instance by the brigade chiefs, who are challenged by Sven Sjolander. They must answer for themselves.

Personally, in the last 5 years I have had occasion on the defense district level to devote much time and effort to the wartime units, above all the

brigades. Sven Sjolander's description of the situation appears to me almost to be an escape from reality. It is important to me to make two questions the basis for the analysis:

- 1) What capability for completing reasonable military duties do our military units have?
- 2) What is to be done in order to give the wartime units the required manning, training and equipment with the disposable resources (emotional, material and time-related). (Question 2 has an obvious follow-up question: What is to be done in order to increase the now available resources?)

Sven Sjolander seems to carry out his reasoning without sufficient consideration for such fundamental questions.

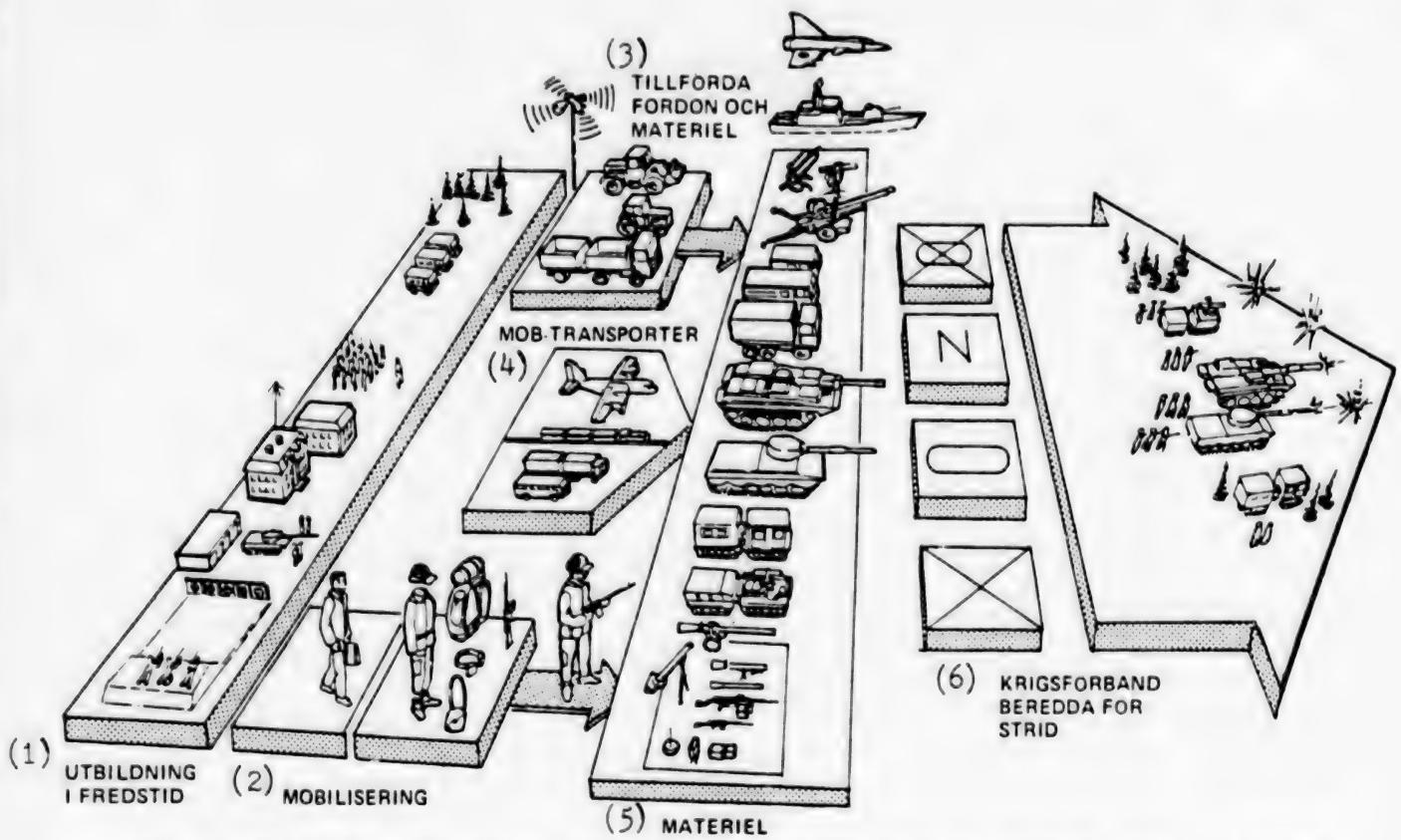
The Role of the Brigades

Our brigades cannot decide a war by themselves, of course. But our attack brigades, meaning those we can manage to modernize, play a unique role. Together with attack units in the air and at sea they constitute a totally necessary offensive element in our defense. These units are to be able to attack and defeat--if, when and where this is required--the modern units of an attacker. This necessarily presumes coordination with and support from a number of different units with various functions--in the air, at sea and on land. These must be able to accomplish their tasks, of course. But this also presumes that the attack brigades are capable precisely of attacking.

It is possible to define rather well in peacetime and in advance what this means in the way of manning, training and equipment. After doing that, however, the most difficult part remains: Continuous evaluation of the capability of the brigades (see my Question 1 above) and continuous implementation of measures for the optimal use of time and other resources (see my Question 2 above).

This cannot be handled directly by the Army chief or another central organ for individual brigades. Not even the commanding general of a military district, who is located closer to the observable reality, and who according to the basic concepts for the command system is to "exercise the supreme commander's control over delivery of the military units ordered from the chiefs of the military services," can have a staff which can cope with this continuous work, which affects many different brigades, each one manned and trained by several different regiments.

It is in this connection that the brigade chiefs in recent years have been given a continuous, active role in peacetime regarding the evaluation of their own brigades, sounding the alarm to the authorities which in peacetime "control personnel and funding" and assisting the commanding general in directing the training of the brigade in its entirety and in its parts. This is the cardinal point, and it is not without problems, of course. But the problems are different from the ones Sven Sjolander brings up.



The activity of a brigade. From peacetime training to wartime unit. (Sketch from "The Army up to the Turn of the Century".)

- Key:
- | | |
|-----------------------------------|--------------------------------------|
| 1) Training in peacetime | 4) Mobilization transports |
| 2) Mobilization | 5) Materiel |
| 3) Supplied vehicles and materiel | 6) Wartime units prepared for combat |

The Brigade Chief

The training must be directed toward concrete goals--against the background of the wartime planning--not toward a single tactical mission, which Sven Sjolander seems to believe, but toward a synthesis of different current tactical missions in actual terrain types. Such priority treatment is not unique either for Sweden or for the Army. But skill is required from those who work out these concrete training goals and guidelines, that is to say defense district staffs, often in cooperation and with the assistance of brigade chiefs and affected training authorities. Furthermore, firmness is required and upon completion a follow-up and evaluation, if the result is to be optimal.

In the present system the brigade chief is not his "own authority" with all that it entails of formal powers and opportunities for action. Here is the seed for another problem. Does the brigade chief have time, based on his observations, to influence the authorities sufficiently quickly and forcefully?

In my opinion Sven Sjolander's concerns, that the brigade chief will be burdened with mobilization duties irrelevant to the brigade or with incident duties, lack all connection with reality. The regional and local reality does not contain the preference for "one-issue solutions" which can possibly be traced in the thin air of the central staff involving incidents, for example.

Outside in military districts, at air wings, fleet bases and regiments, we become reminded in a rough-handed way that we have to complete several tasks continuously and in parallel.

- (1) Prepare the defense against invasion
- (2) Adjust the deployment and mobilization preparedness with respect to the situation--for the purpose of preserving peace and of stabilization.
- (3) Produce wartime units and preparedness for (1) and (2).

The principal task of the brigade chief lies in the connection between (1) and (3). We do not hunt submarines with the Army's brigade chiefs.

Resignation?

Sven Sjolander's exemplification of the worries of the brigade chiefs naturally raises the question: Should we not place emphasis on the brigades? Does Sven Sjolander think it is too difficult? The examples indicate a certain resignation. That, if anything, is escaping from reality. For we do need the attack brigades.

Nevertheless, I interpret Sven Sjolander's final question in a positive way.

Constructive protests are valuable involving the following issues, among others:

--The availability of officers and troops for exercises under the leadership of the brigade chief is too low. Do we have the right unit turnover and wartime unit exercise rythm? Do sufficiently many of the brigade officers serve in the regiments?

--It takes too long before shortcomings discovered by the brigade commanders are corrected. Does the Army chief do what he can and ought to in order to support the brigade commanders?

Debate is needed about such issues and the measures connected with them before proposals are submitted which alter the conditions for brigade production. They need to be improved, not made inferior. This means that the production apparatus, that is to say the peacetime organization, must be improved, not made inferior--which is what the brainstorms about scrapping brigade-uniting regiments from the infantry and armored troops imply.

Brigade Chief Evaluates Problem

Stockholm VART FORSVAR in Swedish No 9, 9-10 Dec 85 p 22

[Article by Col Gert Nilsson: "The Brigade in the Center"]

[Text] Col Gert Nilsson at P6/Fo14 in Kristianstad, who commands an armored brigade in wartime, here gives his view of the issue. He disagrees with the

antiaircraft artillery inspector's opinion on many points but shares some of them.

In issue no 7/85 of VART FORSVAR antiaircraft artillery inspector Sven Sjolander discussed the opportunities of the brigade chief to fulfill the demands imposed on him.

The role of the brigade chief role is represented in an unclear manner.

Sven Sjolander further thinks that the brigade and its leadership is faced with unreasonable duties instead of being provided with maximum support.

Sven Sjolander's description does not at all correspond with my own experience of how the activity at a brigade-producing regiment takes place. A debate of the issues therefore appears necessary. We should no doubt have a more or less unanimous opinion of what duties the Army's attack brigades should have in peacetime, during mobilization and in war and what support they are to be given.

In so doing the starting point for the arguments must be that in war the attack brigades must be able to defeat the most modern units of an attacker. Extensive work is therefore needed in peacetime on all levels in order to create and maintain the brigades in the condition necessary to achieve that objective.

The Army chief, defense district commander, mobilization authority and affected training regiment commanders must now, as before, be responsible for their sectors of the total production process.

The brigade chief must check that all the planning measures which are undertaken are appropriate for his brigade. He must also train the combat units under the defense district regimental commander. He is to coordinate this training with the regimental commanders who are responsible for training the auxiliary units. The coordination is essential and should result in joint exercises under the command of the brigade chief.

Program Evaluation

Another important task which belongs to the brigade chief is to evaluate the program of his unit. The evaluation is carried out annually. The mobilization authority provides the basic material. The unit commanders, including those from other service branches, assist.

The result of the evaluation provides a foundation for:

--judging what combat tasks can be solved

--undertaking measures to improve the situation with respect to personnel, materiel and training.

In my opinion the model outlined here means that preconditions are created for the establishment and maintenance of the attack brigades at the intended level

PAPER COMMENTS ON DEBATE SURROUNDING SPETSNAZ THREAT

Stockholm DAGENS NYHETER in Swedish 25 Jan 86 p 2

[Editorial: "New Signs of Incursions"]

[Text] With the supreme commander's latest quarterly briefing on incidents we are back in the cautious language. Commanders Goran Frisk and Hans von Hofsten, with their recently restated belief in and concern about a continuation of Soviet violations of Sweden's territorial integrity, would probably have expressed the recent experiences in a different way.

Whoever heard the one at the meeting of the National Defense Society the other night and/or read the other's debate articles in DAGENS NYHETER at the beginning of the week surely has difficulty understanding how the bosses of those same men can express the occurrence of foreign underwater activity in such varying ways.

In fact, however, the supreme commander's most recent briefing has again been understood by the administration, through Defense Minister Roine Carlsson, as words of warning. For the first time in his new role the latter repeated the well-known coded expression that the government regards the supreme commander's statement "with a great deal of seriousness." This is said to underscore the need for the speedy expansion of the antisubmarine protection which is under way. In other words, while preparations for Olof Palme's visit to Moscow are under way, the administration is forced to anticipate that Swedish waters will continue to be visited by foreign intruders.

But the general public may still have to be able to grasp the supreme commander's language in order to realize that in his position he must assume that foreign submarines violated Swedish territory at least a few times--three to five--during the last quarter of last year. It is likely to be very difficult to find any other meaning in the words that the incidents "have not been able to be explained with anything other than underwater activity."

The information that the number of observed submarines is judged to be "one to three" is likely to mean the following: On some occasion observations have been made over such a long time that an underwater vessel during movement could have passed three locations. On the other hand, during the same period

of quality. It presumes maximum support for the peacetime-serving brigade chief.

What kind of support does Sven Sjolander offer besides that? Is there someone else who is to control the production planning? Be responsible for coordination and completion of training? Make the program evaluation?

Sven Sjolander says that the brigades are not sufficiently well trained and that it will be too expensive to do so. The brigade chiefs have therefore started refining the wartime plan and picking out by themselves selected training moments from the wartime plan. If this is happening, it is wrong, I agree with Sjolander. The risk is not that great, however. An attack brigade has 15-20 different tasks in various parts of the country. The personnel which has to plan must also train. At the present there are 15-17 officers available for basic training of a company of about 150 conscripts. This is the reality. It does not even allow for gathering knowledge of the terrain to such an extent that the slogan "Fight in Your Own Country" is given sufficient content. There is definitely no time for any refined wartime planning.

The Training Objective

The brigade chief does not himself determine the goal of the training. That is done by the Army chief, who established "wartime duties governing the training." The Army chief does this after consultation with other wartime unit chiefs.

The brigade chief assists by submitting basic material--no more.

Sven Sjolander thinks that the brigade chief has assumed part of the responsibility of the mobilization authority for mobilization security and completion of mobilization. The foundations for this opinion are not apparent from the article. It could be that Sven Sjolander thinks that brigade chiefs should not get involved in or acquire knowledge of:

- the plans for mobilizing the brigade
- the personnel situation in the brigade's units
- the situation in the stockpiles
- where the materiel is located
- not command the brigade in the event of war during mobilization
- not be responsible for the professional completion of mobilization.

If this is the case, it is necessary to have a thorough analysis of the threat scenario.

Incident Information

Sven Sjolander harbors fears that the brigade chief with his staff will be utilized for incident duties. My evaluation is that these fears are completely unfounded.

On the other hand, I believe it to be natural that the brigade chief is assigned the task of commanding operational units from the brigade. This

applies to units undergoing both basic and refresher training and units which are part of emergency preparedness alternatives. Who else would do it?

I share Sven Sjolander's opinion that in order to solve its tasks in war the brigade needs the support of territorial, equal-ranking and superior-ranking chiefs and units. Any change in this respect has also not been noted.

In conclusion, I believe that the duties imposed on the peacetime-serving brigade chief are both reasonable and necessary. Necessary, because the production of the unit and its preparedness must achieve the intended goals. Maximum support is a precondition both in peace and war.

Sven Sjolander says that "a large quantity and low age for active-duty officers is not enough. Skill must also be taken into account."

That opinion is shared. Everyone should be able to do so. Personnel corps chiefs, both central and local, should follow the advice to assign the most skillful people for service with regiments which are responsible for the attack brigades. They are the ones who have to beat the enemy.

11040

CSO: 3650/127

MILITARY

SWEDEN

BRIEFS

ANTISUBMARINE TORPEDOES ORDERED--On Monday the Defense Materiel Administration (FMV) ordered torpedoes of the 431 type from the FFV [National Industries Corporation] Manufacturing Plant in Motala. The 431 torpedo is a light torpedo with a diameter of 40 centimeters. It is primarily intended for antisubmarine use but can also be used against surface targets. It will supplement the armament of the future submarines of the Västergötland type and will furthermore be used by the Navy's surface ships. The target-seeking torpedo is equipped with an advanced data transmission system. [Text] [DAGENS NYHETER in Swedish 28 Jan 86 p 3] 11949

CSO: 3650/121

ECONOMIC

AUSTRIA

FOREIGN TRADE WITH USSR, EASTERN EUROPE DETAILED

Vienna INDUSTRIE in German 29 Jan 86 pp 9-11

[Article by Victor Bauer: "Market Position in the East Consolidated"]

[Text] In the 1980's, Austria's industry continues to maintain its traditionally strong position in the Eastern states. In addition to nationalized industrial construction firms, numerous small and medium-size enterprises are engaged in the export business and as partners in cooperation projects.

A scant 8 percent of all West European exports to the Eastern states come from Austria. In the GDR, this share amounts to as much as a quarter (26 percent); in Hungary, to 15, and in the CSSR, to 10 percent. Whereas exports to Hungary and the USSR have shown considerable gains, Austrian industry's market share in other Eastern states, above all in Bulgaria, has been declining since the early 1980's. The CEMA states normally take about one-eighth of Austria's exports: Approximately 30 percent of Austria's iron and steel exports, 16 percent of total exports of chemical products, and 25 percent of Austria's food exports go to these countries. Aside from manufactured goods, shipments of machines, means of transportation, and, above all, industrial plants account for a large share of the export volume.

At the request of the Association of Industrialists, the Vienna Institute for Comparative Economics analyzed the large orders that in the last 10 years have been placed with Austria's industry by Eastern countries: 175 Austrian industrial enterprises carried out a total of 350 projects; the USSR ordered 105 projects; Hungary, 82; the GDR, 46; Yugoslavia and the CSSR, 30 each; Bulgaria, 24; Poland, 20; and Romania, 12. These projects were carried out not only by large-scale enterprises of nationalized industry, but also by a large number of small and medium-size industrial enterprises. The construction of steel mills in the USSR and the GDR (projects involving numerous subcontractors in addition to the main contracting firms) and the Austrian construction industry's hotel projects in Hungary are some of the most spectacular large-scale undertakings. Austrian enterprises supplied entire plants for the production of skis, paints and dyes, cellulose and paper; they also exported metalworking and chemical plants as well as plants for the production of office equipment.

During the period from 1975 to 1984, Austria's exports to the Eastern

countries showed an average annual increase of just under 6 percent. Nevertheless, since 1980 Austria's overall balance of trade with the Eastern countries has been unfavorable; whereas its balance with the USSR and the CSSR has for years been adverse, the country has since the 1960's consistently shown a balance of trade surplus vis-a-vis the GDR and Bulgaria.

Table. Austria's Exports to the Eastern States

Country	1984	1-11/1985	Change Against 1-11/1984
East Europe (excl. Yugoslavia)	38.2 bill.schillings	35.1	+ 4 percent
GDR	6.8	3.9	+39
Bulgaria	2.3	2.3	+18
Poland	3.4	3.8	+36
Romania	1.1	1.0	+ 3
CSSR	3.5	3.3	+13
Hungary	7.0	8.1	+35
USSR	14.1	12.5	- 2
Yugoslavia	7.7	6.9	+ 2

Austria's most important trade partner in the East is the USSR. To facilitate Austrian exports, the Republic of Austria in 1980 granted the Soviet Union a skeleton credit of 10 billion schillings with drawing rights up to 1985. In 1982 and 1983, this loan was increased by 10 billion schillings, respectively. As a result of this, the export volume expanded considerably: In value terms, the 1984 volume of exports to the USSR exceeded by nearly 100 percent that of 1981. Austrian industrial enterprises set up in the USSR a metallurgical plant, a spectacle plant, a district heating station, chamber blast furnaces, and industrial waste incinerators; they also supplied various types of machinery (heavy-duty turning machines, thread-cutting machines, conveyor belts, forging machines, test work benches, lathes, printing machines). The biggest projects, e.g. shipment of oilfield pipes (started in 1981) and construction of the Shlobin Metallurgical Plant (valued at 20 billion schillings) were carried out by nationalized industrial enterprises. Orders from the USSR accounted for 50 percent of the sales of Austria's shipbuilding industry. In 1984, Austria shipped 14 billion schillings' worth of goods to the Soviet Union, and in 1985 the export volume was approximately the same.

In Hungary, Austria's neighbor, an Austrian 5-billion-schilling loan granted in 1978 to the Hungarian tourist industry enabled Austrian enterprises to build 14 hotels, carry out 4 infrastructure projects, and make improvements in the service sector. The check-in system at the Budapest airport was likewise set up by Austrian enterprises.

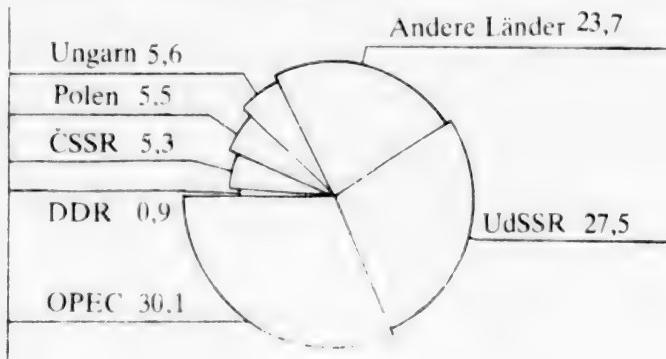
Hungary obtains from Austria automotive parts, chromium, magnesite and fireclay, PVC powder, primary materials for the production of plastics, paints and varnishes, paper products, yard goods, automobile tires, cos. tics, household appliances made of synthetic materials, and beer.

Austrian and Hungarian enterprises have concluded 120 agreements concerning

industrial cooperation and there are 8 joint ventures in the machine building, chemical, and light industries, the construction sector, and agriculture. Among Hungary's Western cooperation partners, Austria ranks second, with small and medium-size enterprises playing a leading role: Nationalized industrial enterprises accounted for no more than 4 of 82 publicized orders. In 1984, Austrian enterprises exported to Hungary just under 7 billion schillings' worth of goods and services. In the first 11 months of 1985, Austria's shipments exceeded by 35 percent the corresponding figures for 1984.

Exports to the CSSR, which had been declining since 1982, showed a slight increase in 1985. Nationalized industrial enterprises account for approximately one-third of the 30 export orders publicized. Of special significance is the cooperation in the chemical industry in regard to supply of products and production of turn-key installations. Regarding the product assortment, machines and means of transportation are the key items, followed by chemical products and manufactured goods.

Graph. Energy Imports Broken Down by Country
(Percentage of Total Imports, 1984)



- Key:
- 1. Hungary
 - 2. Poland
 - 3. CSSR
 - 4. GDR
 - 5. OPEC
 - 6. Other countries
 - 7. USSR

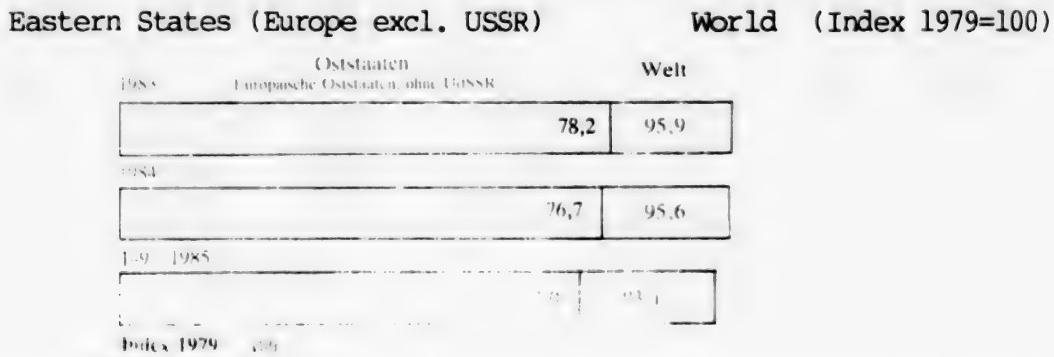
Regarding Austria's exports to Bulgaria, the late 1970's were marked by setbacks. From 1979 on, the shipment volume increased again, but in 1984, there was another drop (by one-eighth). With shipments valued at 2.3 billion schillings (1984), Austria's exports to Bulgaria account for only a small share of the total volume of trade with the Eastern states. In the first 11 months of 1985, however, the shipment volume expanded again, increasing by nearly 20 percent.

Finished goods account for 90 percent of the export volume. Of the 24 projects publicized, 60 percent involve the machine building and steel construction industries. Exports of machinery and industrial installations predominate. A number of cooperation agreements have been concluded. Regarding the orders placed over the last 10 years, medium-size Austrian enterprises obtained more contracts than did nationalized large enterprises.

The largest order ('in value terms), however, was placed with VOEST-Alpine [United Austrian Iron and Steel Works]: In 1981, the firm landed a 5-year contract concerning reciprocal shipment of turn-key plants and equipment (8 billion schillings).

In the early 1980's, the Austrian Control Bank granted Bulgaria a 2 billion schilling credit for the establishment of tourist facilities by Austrian enterprises. Construction of a balneal complex at Sandanski and of chair lifts in the Vitosha Mountains was financed in this way.

Graph. Terms of Trade (Changes in the Relation of Export/Import Prices)



Regarding trade with the GDR, key projects include construction of a 12.3 billion schilling converter steel mill in Eisenhuettenstadt by VOEST-Alpine in collaboration with 200 Austrian firms and export of foodstuffs and chemical products.

The Austrian partner mentioned most frequently in connection with the GDR is VOEST-Alpine [United Austrian Iron and Steel Works], which accounts for one-third of the 46 projects publicized. Approximately 50 percent of the GDR orders were placed with Austria's nationalized industry. Private industry set up paper plants and conveyor systems and supplied glass and other products. Cooperation agreements have been concluded with seven large-scale enterprises, and 20 joint enterprises are operating in third countries.

The industrial plant exports have been financed by Austria through a number of financial agreements.

Exports to Romania Shrinking

According to published reports, during the period from 1975 to 1984 Austrian industry obtained no more than 12 large orders from Romania. Half of these orders were placed with nationalized industrial enterprises. Since 1979, a record year, Austria's commodity trade with Romania has been declining considerably on account of the lack of foreign exchange and the trade balance has since been unfavorable. In 1984, exports were valued at no more than 1.1 billion schillings, and according to preliminary calculations, the 1985 volume was approximately the same.

Table. Exports to the East--Market Shares (Share of the Industrialized

States' Exports to the Eastern States)

	1983	1984	1985 (1st half)
Bulgaria	9.65 percent	3.22	7.90
CSSR	10.36	9.27	8.46
GDR	17.97	19.28	18.34
Poland	5.96	5.71	7.09
Romania	4.95	4.34	4.45
Hungary	13.30	13.95	17.76
East Europe	10.54	10.22	10.97
USSR	2.67	3.26	3.09
Eastern states	5.40	5.71	5.76

As regards Austria's shipments to Yugoslavia, machines and means of transportation, manufactured goods, and other, mostly chemical products each account for one-third of the export volume. Of 31 projects publicized during the period from 1975 to 1984, 20 percent--for the most part industrial plants--were carried out by nationalized enterprises. Work has begun on a number of joint projects (VOEST-Matroz, Steyr-Pobeda, Andritz-Ivan Lola Ribar). In 1984, Austrian enterprises exported to Yugoslavia 7.7 billion schillings' worth of goods. The export volume did not increase in 1985.

Several private enterprises have signed cooperation agreements. In connection with the preparations with the Sarajevo Winter Olympics, Austrian firms supplied a number of installations.

Since the early 1980's and the onset of Poland's foreign debt problem, exports to Poland have been showing a marked decline. Manufactured goods, machines, means of transportation, and foodstuffs make up the largest share of the total export volume. Whereas the 1970's and early 1980's had been marked by an export surplus, Austria's balance of trade with Poland has since 1982 been unfavorable on account of Polish coal shipments to Austria.

Table. East-West Trade Balance
(in billion schillings)

	1983	1984	1985, 1st half
Balance--Industrialized States With			
Bulgaria	0.9	0.8	0.4
CSSR	-0.6	-0.7	-0.3
GDR	-0.4	-0.4	-0.4
(incl. inner-German trade)	-0.3	-0.9	-0.4
Poland	-0.3	-0.9	-0.3
Romania	-1.4	-2.3	-0.9
Hungary	0.3	0.0	0.1
East Europe (excl. USSR)	-1.5	-3.5	-1.5
(incl. inner-German trade)	-1.5	-4.0	-1.5
USSR	-1.9	-3.5	1.2

Eastern states	-3.5	-7.1	-0.3
(incl. inner-German trade)	-3.4	-7.5	-0.3
World	-60.2	-84.5	-56.2

Balance--Vis-a-Vis Eastern States

West Europe	-8.3	-12.5	-2.9
Austria	-0.2	-0.4	0.0
FRG	0.0	-1.1	-0.3
France	-0.7	-0.9	0.0
Great Britain	-0.5	-0.6	-0.2
USA	1.4	1.8	0.9
Japan	1.8	1.2	0.8

Forty percent of the 20 large orders publicized--including 700 heavy trucks, 3 hotels, and a number of permanent-way machines--were placed with nationalized enterprises. In 1984, shipments totaled 3.4 billion schillings. In the first 11 months of 1985, however, the export volume again showed a marked increase.

8760
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ECONOMIC

BELGIUM

BUDGETARY DIFFICULTIES FACING MARTENS GOVERNMENT

Brussels KNACK in Dutch 29 Jan 86 pp 12-15

[Article by Marc Reynebeau: "The Attendants Are Waiting"]

[Text] The recovery of public finances will be Prime Minister Martens' first challenge. The government will need its full 4 years for that, including one with special powers.

It does not happen all that often that young brats, barely elected to parliament, already push through to the government top. Such a neophyte is Vice Prime Minister and Minister of the Budget Guy Verhofstadt (PVV [Party of Liberty and Progress - Flemish]). These days the crocodiles in the administration who will not stop at a trifle, the old hands who have experienced a few things already, are looking with amusement at how Verhofstadt thinks he will be able to cut a path for himself through the budgetary jungle he has inherited. More specifically, they would like to see how he will or will not be able to apply his strong theoretical views on the matter to the very prosaic reality of the Belgian budgetary deficit, which for 1985 will already amount to 60 billion francs more than the anticipated 495 billion.

The 1986 budget will be the first major test for the sixth Martens government, which as a matter of fact has made budgetary recovery the primary reason for its existence. Meanwhile the prime minister is determined not to leave anything to chance. The first phase in this is to obtain so-called special powers in order to implement far-reaching measures. As Martens told this newspaper last week, those measures will cause Belgium to wake up one day and no longer recognize itself. Because it really must involve far-reaching structural measures which no longer will have anything to do with haggling down an index hike here or increasing a tax there.

Even though the Stuyvenberg negotiators described no less than forty-seven (47) recovery mechanisms in the government agreement -- the enumeration of which does not distinguish itself through clarity however -- Wilfried Martens is keeping his teeth firmly clenched when it comes to giving information as to what measures specifically he has in the back of his mind. Meanwhile, however, the minister of the budget did not fail to insist that his colleagues check which of the 47 models could best be used in their departments.

This question seems to fit in with the new, more stringent budgetary policy of Martens and Verhofstadt, which comes down to promoting individual, departmental budgetary responsibility, so that every minister must make sure to keep his own accounts in balance and thus will have to find a way to compensate for excess spending within his own budget. However, such a measure belongs to the area of budget control, not to that of preparing a budget.

Martens' discretion about his precise plans has understandably caused a great deal of anxiety among members of parliament in the (Flemish) majority parties. After all, they are the ones who will have to grant the government its special powers to cut the government budget. From the CVP [Flemish Social Christian Party] members Rene Uyttendaele and the inevitable Luc Van den Brande to the Flemish liberals Andre Denys and Ward Beysen, all of them have let it be known that they are not very much at ease about what Martens is asking again now. Hence, the expression "blank check" has been said aloud more than once.

Doctrine

Those eruptions will not cause the government any sleepless nights of course: it will undoubtedly get its special powers. In this regard, the prime minister feels strengthened already by the mandate he was given on 13 October by the electorate, and the majority members of parliament; there they stand and they can do no other. In the confidence they have given the Martens VI administration -- or rather: Martens-Gol the second -- they have already approved not only the continuation of the policy started 4 years ago, but also the set of instruments which Martens thought he needed for that, specifically the special powers.

On the French speaking side they seem to have much less difficulty with that. Based on a doctrine developed by Professor Francois Perin, which fixed itself in the minds of the top leadership of the French speaking Liberal Party via his student Jean Gol, PRL President Louis Michel, who was reelected last weekend during his congress, stated frankly that a strengthened executive -- by means of institutionalized, permanent special powers -- is indispensable in modernized society. In the PRL view, parliament will have to accept the idea that it must limit itself to laying down the major policy principles, so that it can then oversee the concrete implementation of those principles by the administration through its oversight function. Perhaps this perspective is also part of Martens' project to subject Belgium's political-institutional appearance to thorough plastic surgery.

But it is not members of parliament alone who look sideways at Martens' strong passion for government. Even more, while parliamentary agreement about special powers is beyond any doubt, some grumbling excepted, it cannot simply be taken for granted that the Christian labor movement will continue to have warm feelings for Martens. So far the ACW [General Christian Workers Association] has always supported the Martens government policy -- with the result that some people had to learn that Martens paid more attention to what ACV [Confederation of Christian Trade Unions] President Jef Houthuys had to say than to the ideas of the parliamentary majority. As a further consequence, the ACW leadership has always forcefully crushed even the slightest question about the role of the CVP as political emanation of the Christian workers.

Deflation

While Houthuys' troops have not hidden their open aversion to the new liberal thinking, now personally represented in the administration by Guy Verhofstadt, they are waiting in suspense to find out what exactly the prime minister has in store with his structural measures in the government body. After all, those public structures are about the most important pillars from which the Christian (and other) pillar organizations derive their power. The union elections, which are not so far away anymore, are one of the principal reasons why the ACW is keeping an eye on a number of things with more than just concern. The fact that Martens has declared himself unwilling to carry out a mass sale of government enterprises to the private sector can be considered a first consolation, but the disquieting question remains of where Martens will get the money to make cuts in his budget.

The fact that the recovery of public finances will definitely not be a sine-cure was proven convincingly when CEPESS, the CVP-PSC [Walloon Social Christian Party] study service of Herman van Rompuy (who was tapped for the CVP presidency during last fall's government formation), announced that if the government really wants to achieve its budgetary objective (a deficit of no more than 7 percent of the GNP by 1989) no less than 413 billion francs would have to be economized over a 4 year period. That is quite different from the 2 years which Martens still imagined during the election campaign. Hence, employers' boss Andre Leysen was right after all when he argued that the government did not achieve two-thirds of its budget cuts (as Martens claimed), but rather barely 5 percent.

The signs are not all that favorable either and even seem to point to the onset of deflation. Inflation (0.16 points in January) is so small that the public debt does not automatically cave in because of it, so that there may not even be any question of index increases on income, let alone that the government would then be able to draw it off. The growth of industrial production (during the first 9 months of 1985) also fell to virtually nil, while the declining oil prices gnawed at revenue from excise duties.

Hence, Guy Verhofstadt is faced with a double challenge: not only must he try as Minister of the Budget to force budgetary orthodoxy, he also cannot allow himself, electorally speaking, to choose the easy way to achieve that, specifically by raising taxes. The ACW -- represented in the government by Minister of Social Affairs Jean-Luc Dehaene (CVP) -- has already indicated that it will not give Verhofstadt any presents in this respect, even if the issue is only a fiscal preference regime for retirement savings.

Thus the jousting goes on, if only to test the mutual relationships for the time when it is really vital. There are still people running around with a grudge because they did not receive a ministerial portfolio and the community rivalries are equally fruitful, now that government orders must be divided among the regions, the deadline for the Campines Coal Mines is approaching, Cockerill-Sambre has once again booked a 4.5 billion franc loss, the Court of Arbitration has thrown the Lagasse decree into the waste basket, the PRL --

especially following all the Brussels displeasure in its own ranks, led by a resentful Henri Simonet -- wants to take Brussels out of the freezer and, who knows, the Council of State may perhaps come up with something about the mayor of Fourons. Special powers are also interesting to allow the government to continue, Louis Michel inadvertently commented recently. What could he have meant by that?

8463
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ECONOMIC

FEDERAL REPUBLIC OF GERMANY

BUDGET PROBLEMS STALL RESEARCH AT MAX PLANCK INSTITUTE

Duesseldorf HANDELSBLATT in German 9 Jan 86 p 15

[Article by um: "Backup in Investment Hampers Continuity in Research"]

[Text] On 11 January 1986 the Max Planck Society, founded during the German Empire under the name of the Kaiser Wilhelm Society, will be 75 years old. The reason for its foundation: the German Empire's international position in the sciences seemed to be in danger. Following an initial period of up-surge, the Society had to struggle with monetary concerns resulting from inflation. Times have changed, the problems have basically not changed. Today, concerns in the FRG are again focused on a "technology gap," the Max Planck Society, which makes important contributions in the field of basic research, once more has to contend with budget difficulties.

The objectives have stayed the same for over three-quarters of a century. A great willingness to make lavish contributions existed only at the beginning. When Kaiser Wilhelm II issued an appeal in October 1910, on the occasion of the 100th anniversary of the existence of the University of Berlin, for the foundation of "institutions which extend beyond the framework of the universities and, unhampered by instructional goals but playing a leading role with the Academy and the University, are dedicated solely to research," donations and pledges of money for a founding capital of 10 million marks came in within a few weeks. The Kaiser Wilhelm Society was founded on 11 January 1911.

Following a rapid upswing, the Society presided over 14 research institutes in early 1921. But inflation caused the initial capital to shrink drastically. Interest income and membership fees were no longer adequate to cover operating expenses. The state had to intervene for the first time financially, whereby a model could be created which set up a stable balance between state financing of the institutes involved in pure basic research and private financing of the more application-oriented research institutes.

When the National Socialists came to power in 1933, the financial situation of the Kaiser Wilhelm Society stabilized, but the exodus of Jewish scientists signaled a serious substantive loss for German basic research. From 1933 to 1940, almost 30 percent of the scientific members and directors of Kaiser

Kaiser Wilhelm Institutes were dismissed on political or racial grounds or were given retirement.

The physicist Max Planck, who had assumed the presidency in 1930, did not wish to continue in office under these political omens. Still, his successors, Carl Bosch (1937-1940) and Dr Albert Vogler, men whom the party leadership respected because of their high positions in the economy, were able to maintain a certain degree of independence for the Kaiser Wilhelm Society.

The proposal by the US military governor to disband the Society following the collapse of the Third Reich came to nought, thanks to the British. Under the aegis of Col Bertie Blount, who had received a doctorate in Germany before the war and who was responsible for the supervision of research in the British Occupation Zone, the Max Planck Society was founded on 11 October 1946, at first restricted to the British zone and with Max Planck again assuming the presidency.

After a long struggle, Otto Hahn, who succeeded Max Planck after the latter's death in 1947, finally obtained permission for the establishment of the present Max Planck Society in all three Western occupation zones from the supreme commander of the US armed forces in Germany, Col Lucius D. Clay. There were no more moves to bring about the formal dissolution of the Kaiser Wilhelm Society through the Four Power Control Commission. It was quietly disbanded by its own members in 1960.

Today the Max Planck Society employs about 10,000 workers at roughly 60 institutes and independent research groups, 4,000 of whom are scientists. The current budget is just over DM 1 billion, smaller than that of a single large university. Only about half of the financing of the Society comes from the state and the Laender. Only a minimal amount comes from private sources and is ear-marked for specific research. Since the federal government and the Laender have to agree on appropriations, the annual budget debates, as current president Dr Heinz Staab once described in a vivid metaphor, resemble a procession in which the slowest member sets the pace.

This is the reason why the Max Planck Society's budget has been at a standstill in real terms for the last 10 or 12 years. The budget increase in the current year of 3.34 percent appears at first glance to be above average, but on closer observation it dwindles to a meager 2.6 percent and is thus only sufficient to meet cost increases. Originally the government had promised additional funds for the construction of an institute for polymer research at the University of Mainz, which must now be covered out of current appropriations. The budget standstill of the past decade has led to an investment backup of about DM 120 million. The researchers' only hope is that the government will at some time approve a single additional amount to eliminate this backup.

A certain relaxation in the financial situation was achieved as a result of the continuing involvement of some of the Laender. Baden-Wuerttemberg has made additional funds available for the expansion of laboratories for the exploration of high-performance ceramics and it also plans to finance the expansion of the Institute for Immunobiology. These gifts do have a hidden

snag: the subsequent burden of additional investments must be borne by all the Laender through the distribution ratio plan. Laender like Bremen or the Saarland, which do not have a Max Planck Institute, are not exactly enthusiastic about this kind of extension of their obligations.

9581

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ECONOMIC

ITALY

POWER CENTERS SHIFT IN FINANCE CIRCLES

Rome L'ESPRESSO in Italian 1 Dec 85 pp 260-264

[Article by Giuseppe Turani: "High Finance: The Revolution of the Big Four"]

[Text] Italian capitalism is looking more and more like British skies, especially if it is looked at from the vantage-point of Filodrammatici Street, where Mediobanca is located. We wake up to a morning that is cloudy and stormy; then all at once it becomes bright and blue, and again dark and gloomy--repeatedly in the same day. It is impossible to guess when it will rain, because it can rain at any moment. We wonder if this whole thing is really inevitable. After all, the best people we have, from Fiat to IRI [Industrial Reconstruction Institute], have been worrying for months about the fate of this credit institution.

According to Valentino Parlato of IL MANIFESTO, the issue cannot help being complicated, because in reality the end of the mixed economy in Italy is being brought about in connection with it. Hence, a huge issue, for which, probably, all the protagonists involved were unprepared. The events outstripped them, and this would explain the continual stampedes forward, the withdrawals, the changes of front, the storms, the blue-sky dawnings, the peaceful moments, and the new fights.

I think there is some truth in what Parlato says, but I think that there's something else to it. Not only is the mixed economy (a sort of de facto agreement under which public and private industry acted within known and prescribed limits without bothering each other too much) here at an end, the very nature of Italian capitalism is actually changing (and will change even more in the months to come). The protagonists are changing, as are their goals, their strategies, and their ways of life. And the game is changing.

To understand something of this, to try to grasp a subject that is being transformed as we describe it, let us together look at a few snapshots of the personalities and institutions taking part in this grandiose phenomenon.

1. Mediobanca

Everyone already knows what it has been in recent years under Cuccia's leadership, and what it still is in part. A sort of refuge, of confessional, of charitable institution which has, in difficult moments, held together some of the historic families of Italian industry -- Agnelli, Pirelli, Orlando, and so forth. Not only that--Mediobanca has also worked to make life storm-free for first-class institutions such as Assicurazioni Generali, which is the country's biggest insurance company, but also one of our most important financial firms, assuring it the chance to grow without struggles for control, internal fights, and conflicts.

All these years, the story of Mediobanca and Cuccia, has been full of strange moments, personal ones, contradictory ones, even mistaken ones. But it has one merit which cannot be questioned. At moments when it was fashionable to attack industry, Cuccia literally "ferried" some great families and some great groupings to today's richer and more solid shores. We can be clearer --he provided them the money to stay afloat. Cuccia, with his labyrinthine brain, made up for so much that wasn't there--tools, market, a future. He brought many people and many groups across the river. Broadly, what little we have today of big private business in Italy. It's certainly not much. But there wouldn't even be this much had it not been for the dangerous and despotic games of the little fellow on Filodrammatici Street. If we forget this, then we cannot understand why Gianni Agnelli, just to see him remain with Mediobanca, declares himself ready to resign as councillor at once. And we cannot understand why reputable intelligent and responsible people like Leopoldo Pirelli, Luigi Orlando, Francesco Cingano and Lucio Rondelli have stood on their heads to defend him.

But whence the issue, then? Simply from the fact that Mediobanca's great era, at least as we have known it hitherto, is over. Today we have what we did not have up until last December--a functioning financial market. We have the savers' money and we have some experts who can mobilize 400, 500, or 1,000 billion lire with relative ease. This is where Cuccia's complex stock structures start to contrast with the outside world. Earlier, if a big group was reaching a crisis and needed 500 billion lire, there was nothing to do but knock at Mediobanca's door, and at once Cuccia was off to Tripoli to get it from al-Qadhafi. Today it's different--the 500 billion can be had on the market, or else the white flag can be hoisted and a new control group will come forward. In short, the market has arrived, and with it the laws of capitalism.

But precisely on account of what has just been said, this is also Mediobanca's most delicate moment--it is a matter of managing the passage from what existed until yesterday to what has already begun, a world in which the investment funds have gathered 20 trillion lire of new money in a single year, in which IMI funds have gathered 6 trillion. And in which one operator, Carlo De Benedetti, raised a trillion in the course of a couple of months. And Raoul Gardini 600 billion in a few weeks.

This is why prudence was required, this is why it was necessary that Cuccia be able to cease pulling the strings--be able, in short, to deboard his children from the ferry on which he has let them travel during all these tormented, difficult years, in which (but who knows why no one ever remembers?) we risked losing (because they were up to their necks) Fiat, Montedison, Pirelli and Olivetti. Now it seems that good sense prevails and Mediobanca has finally been entrusted to a sort of general managing committee, precisely in order to assure that the debarkation take place without any overly grave incidents.

But this is not all that's going on. Not only has the market dawned. New protagonists are arriving and even the old ones are changing. Up to 1980-81, the summit of capitalism was very easy to describe. At the top was Fiat and Mr Agnelli Esq. in Turin and a little beyond, in Ivrea, was the engineer Carlo De Benedetti who was champing at the bit, with one hand setting disordered Olivetti to rights and with the other trying to make himself some room. Today the picture is much richer. There are so many people and so many different motivations. To continue to reduce everything to position warfare around Mediobanca is the surest way to understand nothing of what is going on.

2. Fiat

It is thought, and at times also written, that this group is unbridled in defense of its leadership of the "Italian system," but it's not true. That is a miopic vision. Certainly they have learned in Turin, after the sad events of the seventies, that it's better to defend oneself than to throw up one's hands, but their problem is not to keep things as they were until yesterday. Just two examples:

a. The sooner Mediobanca decides, the better for all. If a general managing committee has to be formed, fine. The important thing is to close this chapter quickly and decorously--with a little class and without striking at anyone's interests. At this moment, a sort of assault by the politicians is underway against the business world (suffice it to recall the scandalous and unheard-of SME [European Monetary Fund] affair). If the politicians what to make use of the Mediobanca issue in order to increase their hold on the private economy, it will be all-out war. If, on the other hand, the rules of the game are observed and everyone minds his own business, everything should go along smoothly, because in Turin they've got other things on their mind.

b. Montedison--Even today Fiat is the largest shareholder, through a complicated and sophisticated financial shell game. And Schimberni, who is president of Foro Buonaparte [headquarters of Montedison], is pawing the earth, as will be seen below. The story almost certainly comes from Schimberni. And in fact they have already decided in Turin that on this point he's right. They are ready to leave Foro Buonaparte tomorrow morning.

But are the Turinese therefore in retreat? No--as has been mentioned, they have something else in mind. At least 2 or 3 things. The first is that, the agreement with Ford being gone forever, they have to try to make an aut-

agreement somehow, with someone. And while they are working on this, they have to fight production costs and market shares day by day. If they have to give up a little power in Mediobanca, their future doesn't change much. If they start losing market shares, it does, because at that point others could make the European auto agreement, cutting them out, and then there would really be serious problems. The battle of Filodrammatici Street, when you think about it, is a battle to protect their flanks; the auto-market battle is one to assure themselves a future.

But there's more. It suffices to look around in order to note a curious fact: every time an auto plant is doing well (abroad), it suddenly buys something that has nothing to do with cars. It happened with both General Motors and Mercedes. Why? Well, because this automobile stuff is getting to be a hard job without fantastic prospects. It's not a new frontier. And in fact, if you go to Turin these days, you suddenly realize that they always have their eyes turned west, toward America. They know that within and around the star-shield project the most important technological revolution of the twentieth century is about to mature, and they don't want to be left out. They know, but they're not the only ones to know it, that whoever loses out on "this" American revolution will inevitably be condemned to a marginal, subaltern role in the coming decades. Turin's two real strategic problems, in short, are these--autos and hooking up with American technology.

3. De Benedetti

It was understood many years ago that this is a personality with class. It's just that it has now grown further. It's enough to observe his moves carefully to understand that he's not just a gentleman who wants to increase his gross. De Benedetti wants to build an empire for himself. He thinks big. It'll be hard to stop him. Craxi attempted to with the SME affair, but there'll be a next time. On the other hand, he was the first to trust the market, to play up to it, to meet it halfway, and now he finds himself in the paradoxical situation of having probably more money than chances to spend it. Beyond a doubt he represents a strategic "pole" different from Fiat's traditional, consolidated one. But, precisely because of this, he is changing the rules of the game. He's one more of the things that didn't exist before in Italian capitalism.

4. Schimberni

Now we are beginning to understand what the attack on Bi-Invest was. It was a way, a violent and brutal way, of making everyone understand that he wanted to be autonomous. Mario Schimberni's dream is a Montedison without big shareholders, without big bosses, with a management that runs things sustained by the confidence of the market (savers and financial institutions), as in America. In Italy, there's nothing of the kind. The big groups (and Montedison is second) are all still under family control. It will take time, but Schimberni ought to make it. Because it's the direction of history--the capitalist firm is put together as he dreams Montedison will be put together tomorrow. And it is not just a question of the personal destiny of

this silent, icy manager. His plan threatens to introduce two explosive novelties into Italian capitalism: a) the boss-less big group, whose owner is the market; b) into the "monopolar" finance of the eighties (all revolving around Fiat), he is introducing another protagonist alongside of Olivetti. And therewith we're already up to three. It's not just a matter of numbers; it changes everything. We need hardly note Schimberni and De Benedetti are two more people who, like the Attorney [agnelli], are looking west. The president of Montedison does so in an almost obsessive way, but only because he understands that a firm like his must have deep roots in the United States in order to survive.

5. Prodi

Maybe we are among the few to have realized it, but the Bologna professor has, on the quiet, made his fine revolution, and even this one is of the historic kind. He has now gotten a cure under way for IRI [Industrial Reconstruction Institute], which is no longer a giant headed for the ditch, but, even today, a giant largely in a position to organize its own future. In 1,000 days, Romano Prodi has done what was considered impossible: he has restored a sense of direction to the government shareholdings (and perhaps it is for this that many are ill-disposed to him--a novelty is always a source of fear).

Not only this--after 15 years, the long sleep is over. IRI is once again a protagonist. It is present in the market (no one remembers the last time that happened), makes a contract a day with the private sector (even if they then argue a little over Mediobanca), with the greatest freedom, open-mindedness and good sense. The professor, as someone has said, has his mind and his heart in the right place--in the market, in business, in understandings that open up the future prospects. He doesn't stand on guard, as did his predecessors, over the duties and the sacred boundaries of the Institute. And IRI, together with Fiat, is today one of the two technical structures which are presentable abroad (even in size) and can change capitalism. True, the parties are trying to stop it (as, for that matter, they have been trying to do with De Benedetti and Fiat) but the avalanche that has gotten into motion is big. And he too looks west, to America, perhaps even more than Fiat itself.

Today, in short, we have at least four protagonists on the scene (Fiat, Olivetti, Montedison, IRI), all strong enough and all with problems and plans that are very far from provincial. Behind them beats a market desirous of investing, of mobilizing the riches accumulated in the years of eclipse, and of an almost limitless financial capacity. This is the revolution, and it has already started.

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ECONOMIC

ITALY

NEW TRENDS IN INDUSTRY, FINANCE SINCE 1980

Rome L'UNITA in Italian 2, 5, 7, 11, 14 Jan 86

[Article by Stefano Cingolani: "Survey of Economic Power: How Capitalism in Italy Is Changing"]

[2 Jan 86 pp 1, 20]

[Text] In a Few Years, Reference Points and Alliances Have Profoundly Changed--The American Model--Relations Between Industry and Finance

The "bull," in the jargon of the stock exchange, is someone who buys stock in order to run up its price and then resell it. Well, in 1985 the "bull" broke loose: the COMIT [Italian Commercial Bank] index doubled in 52 weeks, and the Italian stock market seems to have departed from its modest role. Is it all "speculation," or is it that the triumph of the profits from the rehabilitated companies is being reflected in the financial world, causing the value of their capital stock to rise? Perhaps both. Above all, however, the "boom" of 1985 was caused by the great upheaval that has taken place in the economic power structure. The restructuring of production is accordingly being accompanied by a veritable fever of mergers and acquisitions, and a rapid--often extremely rapid--turnover of blocks of stock.

The configuration of "high finance" has been turned upside down as a result. The struggle over the future of Mediobanca, the failed IRI [Industrial Reconstruction Institute]-SME-De Benedetti deal; the Schimberni "blitz," which, by pushing out Bonomi, took control of Montedison; and the launching of Gemina [Equity Share Credit Company]--which as a risk-taking mobile arm of Fiat is prepared to shuffle alliances and blocks of stock--represented the final tremors of an earthquake that began far away; that has its epicenter in a quadrilateral linking Ivrea, Turin, Milan, and Brescia; but that extends its shock waves all the way to the political establishment in Rome.

If a cartographer had attempted to make a map of the economic power structure in 1980 (the turning point between two eras, not just between two decades), he would have had to depict two universes. The first universe, unquestionably the larger of the two, was dominated by a single sun, Agnelli, surrounded by several planets (Pirelli, Bonomi, Lucchini, Orlando). This star was perhaps still somewhat dimmed but was recovering its lost splendor, for it was no accident that precisely at the close of 1980 it won its hardest battle, the battle that made it possible to throw 25,000 workers out of work at Fiat and thereby defeat the union.

Agnelli, in his turn, had a foothold in Olivetti, where the De Benedetti "tornado" had already arrived in alliance with the French firm St Gobain. But he also controlled SNIA, a company which over the years will take on a strategic value as it enters the arms business and subsequently the "Star Wars" project.

All of these traditional capitalists came together in Mediobanca, which was at one and the same time their "best parlor" (as has often been said) and, above all, their "strongbox." It was in the coffers of this half public and half private institution that the "Centaur" Enrico Cuccia watched over (and still watches over) blocks of stock that are decisive for controlling General Insurance, Pirelli, the Burgo paper mills, SNIA, Mondadori, Montedison, the GIM of Orlando, and the Fondiaria--and are also of vital importance for maintaining Fiat's internal equilibrium.

Alongside the aforementioned galaxy there was gravitating another galaxy, one which in the space of 2 years had reputedly become a veritable nebula. It was called "Catholic Finance," because of its organic interweave with the Vatican and because it had represented an independent pole that was sometimes in conflict with, sometimes in alliance with, the secular pole. Just as Cuccia--a man who had climbed all the ladders, starting as a humble altar boy--was undeniably the "supreme pontiff" of the latter, Roberti Calvi of the Ambrosiano Bank, "God's banker," wished to become "high priest" of the former. In 1980 Calvi's tragic parabola was at its apex, and his castle of cards was tottering.

Someone who was more firmly established, although not as powerful as formerly, was Pesenti. The patriarch was in the autumn of his years, but his rule was still vast and unchallenged. Both men--Calvi and Pesenti--were associates in Bastogi, which until the 1970's had been the real point of contact between the two galaxies for the purpose of managing joint enterprises, forming alliances, dividing up the hunting grounds, or even regulating--by means of gentlemen's agreements--disputes down to the last share of stock.

The private "laymen" and "Catholics," in their turn, arranged to meet with their public counterparts (the IRI and the ENI [National Hydrocarbons Agency]) on the board of directors of Montedison, the second largest Italian corporation, whose shares, in fact, were in the portfolios of Bastogi, SOGAM, ENI [National Hydrocarbons Agency], IRI, and Mediobanca.

Somewhat isolated, but in contact with Agnelli through UNICEM (cement manufacturing), was another great independent of Italian finance, the Ferruzzi group; while the Zanussi family, after the death of the founder, had increasing difficulty managing the second largest private industrial group, which dominates the field of major household electric appliances.

Into this universe various anomalous and daring financiers suddenly streaked like a comet (or often like shooting stars): Bagnasco, Berlusconi, and Cabassi, who attracted the attention of the news columns following the disappearance of the great raiders, Sindona and Cefis (even with the profound differences between the two).

Newspapers and editorial groups were also divided up among the big groups. Agnelli got LA STAMPA and the publishing houses of Etas Kompass, Fabbri, Bompiani, Adelphi, and Boringhieri, which were making ready to combine in a single group. Through Etas Kompass, "the Lawyer" was also able to branch out into LA REPUBBLICA (whose publisher Caracciolo, as is known, is Gianni's brother-in-law) and into L'ESPRESSO. Rizzoli, who was under Calvi's control, owned the CORRIERE DELLA SERA and IL MATTINO; Pesenti owned IL TEMPO; Montedison owned IL MESSAGGERO; and the cilman Monti owned the most widely distributed dailies in Central Italy, LA NAZIONE and IL RESTO DEL CARLINO.

Five years later, this planetary system has been thrown into complete confusion. Some of the protagonists have meanwhile disappeared. Zanussi has been purchased by the Swedes of the multinational Electrolux and by Fiat. The Pesenti empire was broken up after the death of the "patriarch," and one of its jewels--RAS Insurance--has passed into the hands of the German Allianz. When Calvi was hanged (was it murder or suicide?) under Blackfriars bridge, he left nothing behind but ruins, among them Rizzoli and his publishing group. Other traditional families have sold their companies (Bassetti) or have left the field (Fabbri).

Montedison was privatized, under the auspices of Mediobanca, through the decisive intervention of Fiat and its "satellites" (its partners in the Gemina finance corporation). Subsequently--last summer--it passed into the hands of Schimberni, the "manager" who aspires to become its comptroller (just as Cefis had already attempted to become its owner).

Once again Mediobanca was promoting a transaction that was to produce a famous victim (in this case, no less than the Bonomi family, also known as the "finance and bricks" family) and caused a break with the Fiat team (Gemina later withdrew definitively). Montedison is therefore tending to become a new industrial-financial pole capable of counterbalancing the Turin pole. This is also in Cuccia's plans, for he would like to leave as his legacy a private capitalism that would continue to be "protected" but would be more articulated and "pluralistic."

De Benedetti, too, has grown during this period and has put together an authentic industrial conglomerate directed by two "black boxes" of a financial nature: that is to say, by the CIR and--increasingly--by an entity named (not by accident) the De Benedetti Finance Corporation, or COFIDE. After becoming "married" to the American ATT in Olivetti (some detractors say he sold the Ivrea company "on credit"), De Benedetti acquired Buitoni-Perugina and attempted to buy the SME of the IRI with a view to putting together a large food group that would be supported by a chain of supermarkets such as the Gs and would probably have the backing of a multinational food corporation. He began meanwhile to build a bridge toward Pirelli by means of which he hopes to construct a new axis that can become decisive for an enterprise--such as the one mentioned--that is faced with the problem of ensuring for itself a more articulated financial future and a less family-oriented structure. The great families of the past are all disappearing. Basically, only Agnelli and Pirelli are left. Even Cuccia, their tutor, is heading into the sunset. One must therefore think of tomorrow. The children of Gianni and Umberto Agnelli are

serving their apprenticeship at Juventus. The son of Leopoldo Pirelli has only recently entered the business. But does the succession still function along hereditary lines?

Mediobanca is the point of contact for all these projects concerning the future of private capitalism.

This is why the battle that has developed around Mediobanca is so important. Mediobanca is the last of the "best parlors" and "safe-deposit vaults"; it is the nest where the oligarchy of the great families is attempting to hatch its chicks (as we shall see). It is a nest that is increasingly small (and is already too small), among other things because its "merchant bank" monopoly is being attacked treacherously by other entities, the largest of which is the IMI [Italian Credit Institute], which Arcuti has profoundly transformed. Formerly the official paymaster of the hidden government, the IMI today aspires to become the reference point for a modern and very aggressive kind of finance and entrepreneurship (it is no accident that the IMI comprises some of the most firmly established "investment funds").

How did "Catholic finance" fare in this critical situation? In its traditional connotations, it may perhaps have disappeared. The "New Ambrosiano Bank" was rescued by a consortium of seven large public and private banks and became, thanks to Bazoli, a reference point for banks that indeed have firm Catholic roots (such as the People's Bank of Milan and the San Paolo Bank of Brescia) but are not almoners of the Vatican. Actually, they are protecting Turin more than they are Rome. This change is exemplified by Agnelli's offer to bring Mittel (the Bazoli finance corporation) into Gemina and subsequently into Mediobanca--and to conclude a new alliance with Giampiero Pesenti, son of the Patriarch. The two somewhat parallel galaxies are, in short, finished. Indeed, Gemina (as we shall see) could indicate a different recomposition.

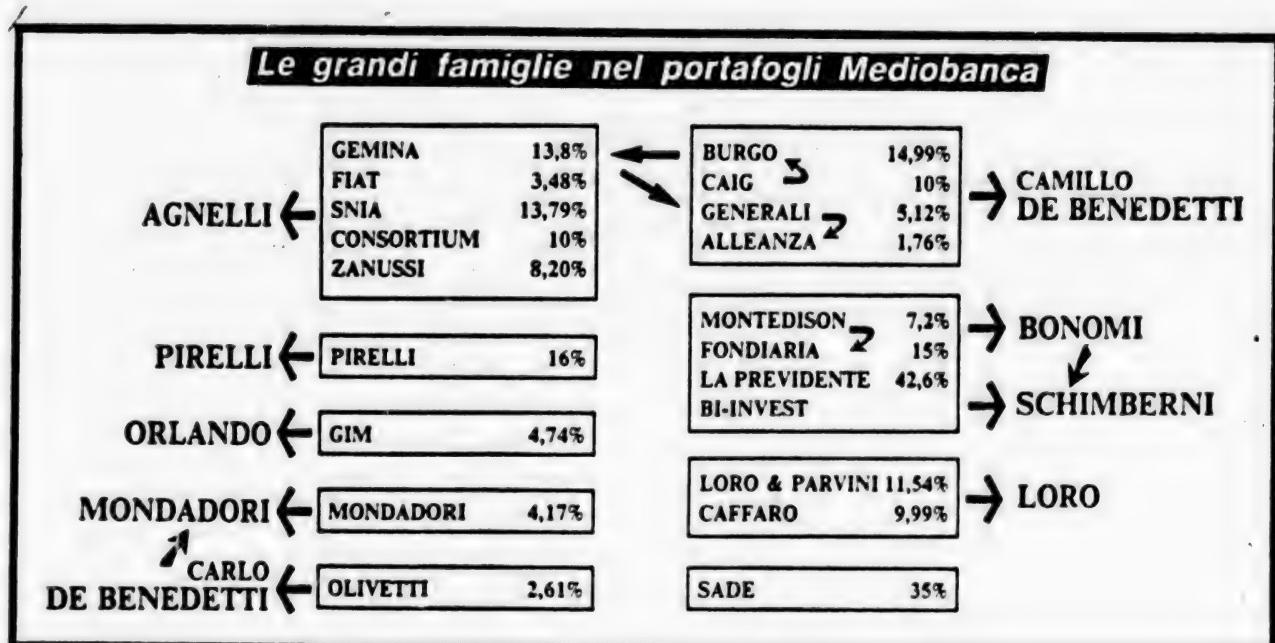
The balance has meanwhile also shifted with respect to the printed page: the CORRIERE DELLA SERA and Rizzoli are now controlled by Gemina (and therefore by Fiat), which holds a majority interest in them. This same period has also seen the growth of the Caracciolo group, which has become more independent from Agnelli and formed new ties with Carlo De Benedetti, who in the meantime has become the second largest stockholder in Mondadori (through Sabaudia, which is controlled by CIR, he holds a 16.55 percent interest). IL MATTINO of Naples wound up (with Agnelli's approval) in the hands of a group of Southern entrepreneurs whose common denominator is the fact that they are friends of De Mita.

The structure we have described is anything but consolidated. New dislocations are to be expected at any moment. It would seem, however, that two basic trends can be delineated:

1. The oligarchy of the great families that has survived the restructuration is seeking new configurations and a new heritage. As if part of a "Buddenbrooks syndrome," the fear of extinction is leading to the frantic construction of alliances both domestic and--especially--international. Meanwhile, the oligarchy feels itself pressed hard by new protagonists who are attempting to expand it, with the aim of themselves joining the exclusive club. Any tendency

toward diving into the "open sea" of the marketplace and striking out on one's own--thereby surmounting the "protected capitalism" that has always characterized the Italian model--is a distinctly minority tendency.

Figure 1. The Great Families in the Mediobanca Portfolio



2. A financial framework is being created that resembles a set of "Chinese boxes" whose reference point is clearly American (the unfortunate pioneer was, in fact, Michele Sindona). In short, whereas in the 1970's the financial "holding companies" were created to control a great number of industrial enterprises, today we have holding companies of holding companies--in other words, financial corporations which control even more financial corporations, which in their turn are moving into industrial enterprises and above all into service companies, of which the most delectable morsels are the banks (by means of which the investment funds can be mobilized) and insurance companies. The reason for this is easy to explain: with the crisis of the welfare state, private capitalism is aiming to make of social security, or integrated health care, the big business of the next 10 years. Some examples?

The Fiat holding company is controlled by the IFI (the finance corporation of the Agnelli family), which comprises Rinascente; Juventus; and IFIL, which owns Toro Insurance. Fiat, in turn, owns LA STAMPA and SNIA and is moving into Zanussi. But it also controls Gemina, which has a majority interest in Rizzoli-Corsera and has just recently withdrawn from Montedison, from which it received 432 billion lire that it is reportedly preparing to invest in the General Insurance Company.

De Benedetti operates in the same manner. The family finance corporation (COFIDE, formerly FINCO) controls CIR, which in turn holds an interest in Olivetti, in Buitoni, in Sabaudia Insurance (which is in Mondadori), and in Pirelli. COFIDE is also the privileged terrain for concluding alliances--in particular, international alliances--with the Bank of Suez, the Boston International, etc.

The same can be said of the Pirelli Finance Corporation, which has merged with Caboto (and therefore with Hambros, the great British bankers) and has become associated with CIR.

In short, a "global capitalism" (finance, production, services, speculation), strongly internationalized, is emerging from the crisis of the past 10 years; it is unquestionably an innovation and a challenge to the old order.

[5 Jan 86 p 7]

[Text] The Eclipse of Mediobanca: The 'Magic Strongbox,' Where What Is Public Is Private

The Mediobanca "game" lasted exactly 12 months. In November 1984 the project for privatization of the first Italian "merchant bank" (or "investment bank") began to surface. On 27 November 1985 the affair was concluded. In what sense? In reality it was "half a solution" (as Bruno Visentini, for example, wrote in the CORRIERE DELLA SERA). The compromise that was reached actually closes only the first "period"; the other periods, and the grand finale, have been postponed until September 1986, when an attempt will be made to renegotiate the syndicate agreement on the basis of the equilibriums that will be established at that time among the three IRI banks and the private banks, and also within the latter. Much will depend on what will have taken place in the Mediobanca portfolio.

The Milanese institute on Via Filodrammatici is, in fact, a "magic strongbox" in which the great families of Italian capitalism are guarded and protected. The basic concept held by Cuccia, who is the only keeper of the keys to the strongbox, has always been that capitalism in Italy was too frail to be able to stand on its own two feet or to be thrust, without guidance, into the jungle of the free market. There was too little capital of its own available for enterprises that were already assuming colossal dimensions. There were too few great managers capable of walking the tightrope between welfarism and risk. There were too few authentic, well-established poles around which to structure the system as a whole. Finally, the political parties, and the economic and political power bloc ramifying around them, were too intrusive and threatening.

It was no accident that the syndicate agreement (that "criminal agreement," as some call it, whereby the public banks which hold an absolute majority of Mediobanca's capital stock are compelled to share the management of the institution equally with the great private banks, which hold only a very small minority of the stock) was concluded in 1955 and refined in 1958, precisely during the gestational period of the Fanfani project which called for making the State Participations system the other reference point of an already booming Italian economy and transforming it into a Christian Democratic stronghold.

It was then that Enrico Cuccia, a direct collaborator of the founders of the "mixed economy," was motivated to conceive his bold objective: to become the fulcrum of a complex equilibrium between the traditional financial-industrial centers and the "new" public pole. This is the concept of the "Centaur" (as he personally described himself in 1978 during the Senate hearing), with a public head and a private body.

Cuccia's theory was actually even more sophisticated than that. He indeed thought (and probably still thinks) that in order to safeguard the aforesaid difficult equilibrium (given the structural weaknesses of Italian capitalism) it would be necessary to preserve the integrity of the few foci of private power, namely, Fiat, Pirelli, Olivetti, and subsequently Montedison: in short, a restricted and highly selected oligarchy. Mediobanca accordingly became the strongbox in which to keep blocks of stock which, however small, would always be of decisive importance for all these realities.

It was a miracle of political acrobatics that lasted 30 years, but it is no longer operative. What is the reason? The causes are complex, and some of them are still unclear. There are, of course, some objective components, namely, the maturation of the financial markets, including those in Italy; the increase in the number of poles functioning in capitalism; and the rising level of international integration. But there are also "subjective" motivations, namely, Cuccia's human parabola, which is nearing 80 years, and also that of some of the other protagonists of this postwar period--protagonists of that same oligarchy of the great families. There are even political motivations: the intrusiveness of the political parties has intensified; the State Participations are no longer a dependency of the DC but are subdivided among the parties of the majority; and, in the meantime, networks are being constructed among political leaders and great financiers--networks that are often fleeting and transient but are always disruptive of the established structures.

The concept of a "post-Cuccia" period has therefore arisen. But given the fact that things are today so involved, can there be anyone "post" other than Cuccia? Only he knows how to unravel (or at least to disentangle) all those threads that he has interwoven in the course of 30 years. In the end, however, will Mediobanca still be what we have known until now: in other words, that fulcrum of equilibrium in the financial power structure?

According to Gustavo Minervini, deputy of the Independent Left and a lawyer who is profoundly knowledgeable of the secrets of high finance, the "Centaur" remains--but this time his head is private and his legs public. How can that be?

Let us sum up the different stages of the battle. During the entire winter of 1984-85 the offensive of the private capitalists was waged under the watchword of "Let Us Internationalize Mediobanca"--an absolutely necessary move, it was said, that will project us definitively into the universe of the larger world capitalism. The operation was to be carried out by more closely involving Lazard Freres, the great French merchant bank that has profound American ramifications--a bank with which Cuccia has had very close relations since the 1950's and which is already numbered among Mediobanca's stockholders. Lazard's

equity would increase, by means of an increase in capital reserved exclusively for this purpose; but the dowry that Lazard would bring was not to be fresh money but rather the 5 percent of General Insurance stock that had been "parked" for some time with Euralux, the Luxembourg offshoot of Lazard--stock which in reality would end up with Agnelli.

A complex and strange union would in this way be established, for Lazard would become the largest private stockholder in Mediobanca. Inasmuch as close ties exist between Agnelli and Lazard (with the result that IFINT--the Luxembourg finance corporation of IFI and therefore of Agnelli--has a small interest in Eurofrance, which in turn owns stock in Euralux), Agnelli would be acquiring a preeminent position in Mediobanca and, in turn, also in General Insurance.

It would accordingly have been a "papier mache" internationalization, to quote Cesare Merzagora, honorary chairman of General Insurance, who had fought against the idea. The project also gave rise to a political split. The DC and Romano Prodi, chairman of the IRI, opposed it. Arrayed on the other side were the PRI, PLI, and--in a new but perfectly understandable development--the PSI, with Bettino Craxi in the forefront. The operation, however, was blocked (and Craxi, as his only response, acted as a "stopper" against Prodi-De Mita and De Benedetti, who had agreed to transfer the SME to Buitoni). From that moment on, this concept of internationalization--which had seemed so necessary--has remained on the shelf.

But the real intention--which had been hidden until that moment--resurfaced several months later. We shall not go back over all of the different stages of the affair (the news items concerning it had filled this newspaper as they had all the others). Let us proceed quickly to the conclusions. The compromise that was worked out stipulates that for the time being the three national participation banks will sell 6 percent of their stock, thereby reducing their ownership interest to 50 percent by September of 1986. This transfer of stock to private capitalists would be made in blocks of stock each amounting to no more than 2 percent, so that no one would acquire a predominant position and so that the list of those invited into the "best parlor" of finance might be enlarged. There had been talk of bringing Carlo De Benedetti into the parlor, thereby consecrating his image (to date only "rampant") as the new capitalist. Even the name of Berlusconi has been mentioned (apparently at Craxi's explicit suggestion). None of these rumors has been confirmed.

It would appear instead that between now and 30 September nothing of substance will change, for one reason because the private capitalists are not obliged to buy stock (and a 2 percent share of Mediobanca is currently worth approximately 46 billion lire) but only "have the right" to do so.

And after 30 September 1986, what? Gustavo Minervini explains that two scenarios are possible but that only the second appears likely to materialize. Let us consider them.

Scenario A: The IRI commits itself henceforth to the sale of additional shares of stock until its ownership interest in Mediobanca is reduced to 40 or 45 percent. No single private investor, however, may hold more than 2 percent of

the stock. Assuming, therefore, that the shares offered are acquired, there will be a broader base of stockholders. The syndicate agreement should be renegotiated on the basis of new ratios of strength. Because the IRI will have lost its absolute majority, it will have to act to ensure majority control for itself. Instead of the present bipartition, the goal will then be a balance of power that would see the three IRI banks on one side and 20 private investors--each with 2 percent--on the other. The remaining shares would be dispersed throughout the market.

Scenario B: The private financiers do not subscribe. As a result--Minervini explains--it is decided that the syndicate will retain its system of equally shared authority and that the board of directors will adopt the same system, in accordance with the following distribution: seven directors to the IRI (including the chairman) and seven to the private investors (including the vice chairman). The post of managing director would be jointly held.

"At this point," Minervini continues, "Cuccia decides to remain--also as spokesman for the private investors--in the post of representative of Lazard, a position that has never been congenial for him. He remains because he does not want to lose his Centaur image. That this scenario is the more likely one, between now and September, is in the very nature of things; for why should the private investors spend between 45 and 50 billion lire and yet find themselves still in the minority, if by not spending a single lira they are able to retain the same decisive role they have today? It is a situation that I find astounding, not from the point of view of a person on the Left but actually from the capitalist point of view. Indeed, who has ever heard of power being diminished by the acquisition of stock or increased if stock is not purchased?"

If this is the outcome being prepared, why have the IRI chairman and the DC agreed to the plan? "Perhaps there have been secret maneuvers, or perhaps changes are taking place in Italian finance that will satisfy their requirements," Minervini replies.

The Mediobanca portfolio, to be sure, is not destined to remain unchanged from now until September. In recent days certain "grand maneuvers" have indeed begun, the most important of which relates to Gemina (the finance corporation controlled by Fiat) and General Insurance. After its withdrawal from Montedison, Gemina finds itself with 432 billion lire on hand. What will it do with the money? The most widely held hypothesis is that it will use the money to acquire the 5 percent of General Insurance that is "parked" with Euralux. Meanwhile, Camillo De Benedetti (Carlo's cousin) is reportedly also making a move; he is vice chairman of General Insurance and the principal stockholder of GAIC, which is part of the syndicate that controls Gemina. He is reported to have rounded up a large block of General Insurance stock on the stock exchange in recent months--stock which in the meantime has risen in value from 62,000 lire a share to 73,000 lire in only 60 days). Where will these shares end up? In the portfolio of Gemina, which in this way would ensure to itself control of General Insurance?

The other problem to be resolved concerns Pirelli, of which Mediobanca is the principal shareholder. The transaction with Caboto (and therefore with Hambros, the great British bankers), and the agreement with Carlo De Benedetti,

should create a financial framework that would be less exposed to raids and less dependent on Mediobanca.

The really sore point for Cuccia, however, has always been Montedison (ever since he promoted the raid on Cefis, at least in the first stage). Today it is the very same Cuccia who is putting his money on the Schimberni horse, which he has allowed to unseat the Bonomis (who are also leaving Fondiaria, which is passing into the hands of the Montedison manager) and is looking kindly on the possibility that it could become a financial pole independent of the others (even though risking the establishment of a privileged link with the PSI). What its future will be, however, has not yet been revealed.

[7 Jan 86 p 2]

[Text] And Agnelli Created Gemina: 'Go, and Buy Me Everything': A 1986 Entirely Under the Banner of Great Projects

The new "pearl of the realm": that is what Fiat calls Gemina. What is Gemina? It has a remarkable history. The "Equity Share Credit Corporation" (that is Gemina's full name) was born as a direct offshoot of Montedison, and with the passage of time is becoming its instrument for financial operations. In 1981 control passed to a group made up of FIDIS (Fiat), Mediobanca, Invest (Bonomi), Pirelli, and SMI (Orlando). These corporations took over from the ENI [National Hydrocarbons Agency], IRI, SOGAM, and SIR the block of stock that gave Montedison a plurality interest. Gemina the daughter in this way became Gemina the mistress of the house. Internally, Fiat and its retinue acquired--together with Mediobanca--the decisive role in Montedison. In 1984 Gemina was also the proprietor of Rizzoli, in participation with Initiative Goal (Montedison's advanced service company, a creature of Schimberni); Mittel (the financial corporation of the New Ambrosiano Bank's Bazoli); and Gianni Arvedi, who had projected himself from steel pipe to high finance. Except that last August the Schimberni blitz changed all the cards on the table.

The takeover of Bi-Invest; the elimination of Bonomi; and the de facto passage of Montedison into the hands of its manager (as formerly in the time of Cefis): all this precipitated a decision that Agnelli had already taken some time before, namely, to cut Montedison loose from its moorings and abandon it to its fate. It was a decision forced not only because of the "incivility" of a struggle that had been waged outside the bounds of any concept of "fair play" (even while making use of the most typical rules of finance), but above all because it was apparent that the Schimberni operation had Cuccia's approval (if not actually his encouragement--as someone has written).

In early December, therefore, the Montedison shares were surrendered in return for 432 billion lire. A share of stock that in 1982 was quoted at no more than 150 lire was now selling for 2,500 lire. What would Gemina do with all that money? A few days later, however, an initial internal systematization was carried out, and many are attributing to it the value of a strategic signal: Bazoli and Arvedi turned over to Gemina their "Rizzoli-Corsera" stock, in return obtaining entree to the control group of the finance corporation. At this point the Fiat retinue also had possession of the largest Italian newspaper.

The second phase proved to be more complex, and its objective was nothing less than General Insurance, the largest Italian insurance group and 18th largest in the world. In short, a delectable morsel indeed. The group is characterized by the fact that its capital stock is very widely held. The arbiter of its current proprietary structure is Mediobanca, which holds the largest block of stock (5.10 percent), followed by Euralux, which as we already know is a Luxembourg affiliate of Lazard Freres, Mediobanca's investment bank. Euralux holds that famous 4.84 percent of General Insurance which was to have been brought as the dowry to the original project for the privatization of Mediobanca. The next largest stockholder is the Bank of Italy with 4.54 percent, followed by the Commercial Bank (2.35 percent) and the Fondiaria (1.24 percent).

The hypothesis most talked about these days is that Gemina will acquire precisely the block of stock held by Euralux (a block of whose capital stock is also held by Fiat, although indirectly through the Eurafrance finance corporation). Gemina would in this way become the second largest stockholder in General Insurance. Given Gemina's ties with Mediobanca, however, we can say that it would jointly manage the assets and policies of General Insurance. According to rumors already published in many newspapers, this operation would be conducted in such a way as to place the current vice chairman, Camillo De Benedetti, in the position of control at General Insurance (De Benedetti, through his finance corporation GAIC, holds a minority--but not a secondary--interest in Gemina, while Mediobanca holds 10 percent of GAIC's stock).

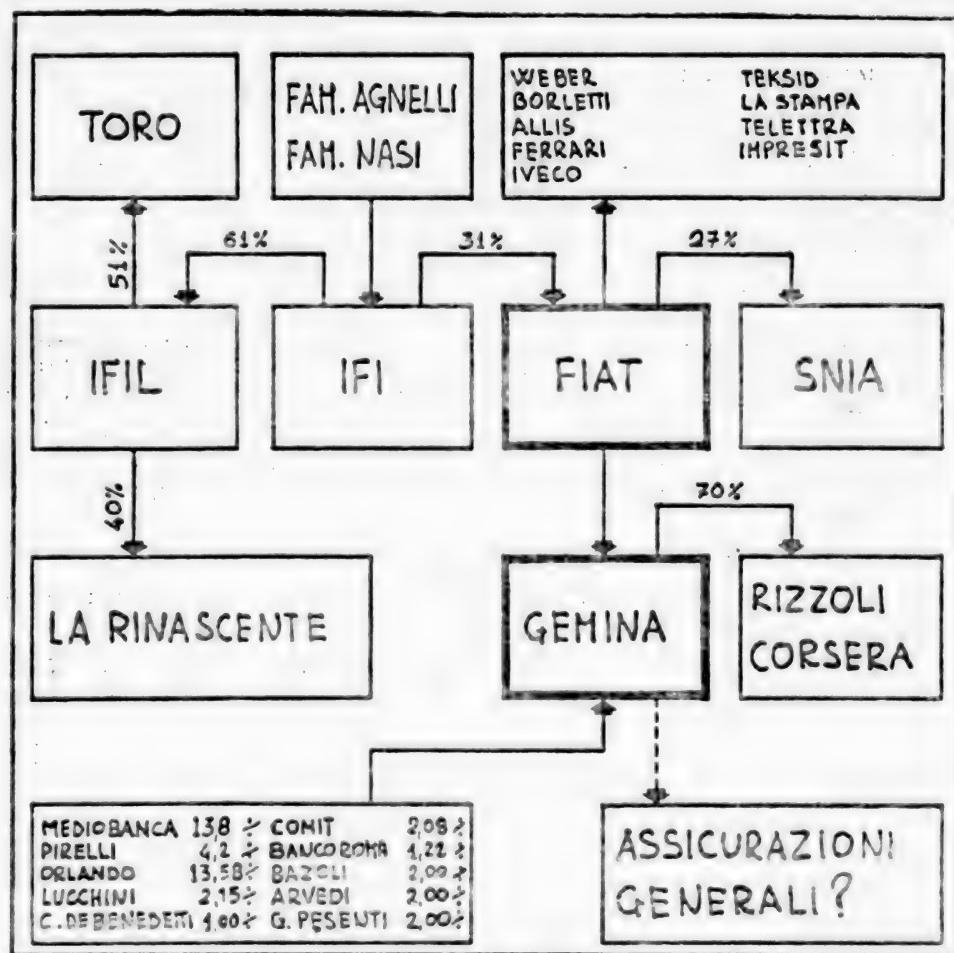
It is a bold operation, one that is certainly not easy either financially or politically. According to insistent rumors that are beginning to appear in print, a new alliance could constitute an intermediate stage in this takeover attempt: the cement king's son, Giampiero Pesenti, has been admitted to the court of the Agnelli empire. After separation from RAS Insurance and its finance corporation, Italmobiliare holds a 25 percent interest in Bastogi of the great name and the long history, the firm which in 1971 was the object of an unsuccessful takeover attempt by Sindona and was subsequently captured in similar fashion by Calvi's Centrale.

Bastogi is apparently not a prosperous company, inasmuch as it is accumulating substantial losses: 13.887 billion lire in 1983 and 24 billion in 1984. It is nevertheless attracting the attention of the speculators on the stock market. From 1 January to 12 December a total of 1.171 billion shares was traded, compared to the 371 million shares that constitute Bastogi's capital stock. The shares issued by the company were accordingly traded more than 3 times over, with a clear effect on the rise in the price of the stock: Bastogi's capital stock is worth 195 billion lire today compared to 64 billion in 1984. "What is behind all this?" asks IL SOLE-24 ORE. Apparently even the largest stockholder, Pesenti's Italmobiliare, is unable to explain it. Moreover, because the company has not distributed any dividends for all of 10 years, there is not even an up-to-date stockholders register. Even CONSOB [National Commission for Companies and the Stock Exchange] is reportedly in the dark about it.

There has repeatedly been talk of a merger between Gemina and Bastogi, but the rumors have been denied (albeit mildly). According to IL-SOLE-24 ORE, there

is only one possible explanation for a phenomenon that otherwise appears to be inexplicable: the "phantom merger." But what is so attractive about Bastogi? The fact that it boasts a tax credit of 174 billion pesos. This could therefore be a way for Gemina to employ a part of the 432 billion pesos obtained by the sale of Montedison and shelter it from the tax collector. That's the secret. What could block the transaction? Again according to IL SOLE-24 ORE, it is the numerous lawsuits that are standing in the way of Bastogi, for complicated lawsuits such as the Magrini Galileo, Nuova Multedo, and Finmare [Shipping Finance Corporation] actions should, in short, be resolved before the agreement with Gemina is concluded. Time is pressing, because after next spring the tax losses will be reduced to 54 billion lire.

Figure 2. The Agnelli Spider Web



Pesenti, meanwhile, has entered Gemina with a 2 percent participation, on a par with Bazoli and Arvedi. The latter will serve as vice chairman, while the chairmanship will go to Romiti--a man of major campaigns, not minor skirmishes.

There is a significant statistic in Gemina's balance sheet that serves to confirm the extent to which these "private virtues" have been made possible by

the much-maligned "public vices." Its assets consist of 325 billion lire in stock shares and 97 billion lire in fixed-yield bonds, exactly 76 billion of which is in government bonds (in 1983 the total in government bonds was only 4 billion lire, all of it in BOT [Treasury bonds]). From 1984 to 1985 the buying and selling of stock produced a profit of 3.916 billion lire, and fixed-yield bonds 3.523 billion lire. These figures speak for themselves and clarify the perverse interrelationship that has been created between the liabilities of public finance and the assets of private finance--often precisely that segment of private finance which brags the most (with a handsome Tuscan visage) that it does without any government help.

[11 Jan 86 p 2]

[Text] The Failed Fiat-Ford Nuptials: The Agnelli Heritage and Supremacy Were at Stake

The year 1984 was celebrated as the "year of supremacy" on Marconi Street. Supremacy in sales, because Fiat had reached the top of the "hit parade" of the European automobile companies with a 13.4 percent share of the market, passing Ford. Supremacy in profits too: Fiat Auto--the principal weak link in the group--which in 1982 had recorded a loss of 112 billion lire, ended 1984 with a profit of 480 billion lire. And lastly, supremacy in productivity: sales per employee rose from 97.6 billion [as published] lire in 1982 to 137.3 billion [as published] in 1984 (employees under the Supplementary Fund are excluded from the computation).

The fact that "Japanese air" is now being breathed in the Fiat establishment was demonstrated by other data: the hours lost because of trade-union agitation barely came to 1,000 compared to the 3,000 of 1983 and the 18,000 of 1980, the year of the great labor conflict; the hours lost because of absenteeism came to 12,000 compared to the 33,000 of 4 years before. During the same period, the number of claims filed with the Supplementary Fund almost tripled. The hours worked per employee (not counting employees under the Supplementary Fund) jumped from 1,522 to 1,747. The work force totaled 134,621 in 1980, whereas at the close of 1984 only 89,657 employees were on the payroll. To be sure, there was the expulsion "shock" of 1980 (25,000 employees ousted at one stroke), but the outflow has continued inexorably in every ensuing year. Here is the merciless sequence: 600 in 1981; 10,000 in 1982; and 8,500 in 1983.

Some of these record figures have continued even into 1985. For example, the expulsion of manpower from the Fiat group has continued. Moreover, the results of the first half of the year show an 11.2 percent increase in sales, in line with the growth of the gross monetary product. Lastly, consolidated profits are heading toward 1 trillion lire (at least this is the target).

However, "the Lawyer" has lost the supremacy of which he was most proud: being in front in the race for European sales. Volkswagen has regained its positions and has displaced Fiat: the favorite vehicle is now the "Golf" rather than the "Uno," which is holding down second place. In Italy, 1985 was a boom year for the automobile, and even Fiat's sales increased. Currently, however, the trade balance of the sector has been in the red: the demand is

not been completely satisfied by domestic producers, and the Italian consumers have bought foreign cars. The competition is so fierce, and the race so difficult, that no one can expect to hold the same position for very long. The European market is primarily a replacement market (80 percent of all buyers already have a car, and when replacing it are looking for increasingly better performance). It is like walking the high wire, but with an audience that demands ever more dazzling performances from the acrobat. How much can the sector endure? There are only two possible "ways out": win new markets, or ensure to oneself a slice of the home market large enough that it cannot easily be assailed.

The first option is the more difficult. All studies concerning the near future of the automobile indicate that from now until the end of the century North America, Europe, and Japan will continue to be those areas of the world where the demand will be the greatest. There will be appreciable improvement in South America and some improvement in China and Korea. The principal contest between demand and supply, however, will take place in the same arena as today. That is why the option to follow is perforce that of increasing one's own slice of the pie. Gianni Agnelli himself is continually saying (echoing the projections of his own experts) that 20 years from now there could well be only a few manufacturers still afloat in the world, and not more than three or four on each continent. Agnelli goes on to say that the level of production which will allow for survival is somewhere around 2 million cars per year. Anyone who produces fewer cars than that is destined not to endure, because he will be unable to realize the economies of scale that will make it possible to absorb the costs of new capital investment.

Before the restructuration Fiat had been dimensioned to produce 1.5 million cars; given the level of demand and the type of product offered, however, the plants were less than 70 percent utilized. Today Fiat produces 1.2 million cars, and at this lower volume it has found a point of equilibrium. If it hopes to have a large enough share of the market to sell 2 million cars, it must hope to double its market share. No one in Europe can do this by oneself. On the Old Continent there are three manufacturers on a level of equality: Volkswagen, Fiat, and Ford. These are followed by the Peugeot group (between 11 and 12 percent of the market); General Motors; and Renault (all the others have less than 4 percent each). Unless the failure of one of these is postulated, any possibility of a massive and lasting expansion is out of the question.

The only course remaining is that of "marriage." Fiat attempted it in the late 1960's with Citroen; it failed, and there soon was a divorce. Then after 15 years of difficulties a revitalized Fiat attempted to contract the best marriage possible and chose Ford. Precisely when the two betrothed were approaching the altar, however, everything fell through, thereby ending any hope of attaining that famous quota of survival. It was thought that Fiat and Ford would together control more than one-fourth of the European market, and that the attainable volume of production (2.6 million cars) would have brought about an approximately 12 percent reduction in costs. The year 1985 will accordingly be remembered on Marconi Street as the year of the great disappointment.

To analyze the basic reasons for this failure means to penetrate the heart of a capitalistic enterprise that is still operated largely on a family basis. It is the ancient--and never resolved--problem of ownership. The breakup, in short, came when the problem was raised as to who should have the 51 percent interest in the new Fiat-Ford corporation and who should exercise control and direction over it. The concept of a separation between ownership and management was advanced 50 years ago by two New Deal sociologists, Adolph Berle and Gardiner Means, as a new frontier of modern business, but in a large number of capitalist states this concept has never been accepted, notably in those (such as Italy and Japan) where the capitalism of the great families has been predominant.

Let us stay with the facts, however. At the stockholders meeting on 2 July 1985, Gianni Agnelli said that the preliminary phase had been completed; that the prospects were "interesting"; but that a problem of timing remained unresolved. Vittorio Ghidella (regarded as the "magician" behind the updating of the Fiat automobile division) and Robert Lutz, head of Ford Europea, were working diligently on the problem. They were truly only "an inch" from their goal. But it was revealed precisely to be "an inch of steel"--as the WALL STREET JOURNAL has written--because the pride of the two firms was concentrated precisely there. In other words, they had arrived at the crux of the matter--the problem of ownership and control.

It should be noted that even the exchange of the respective "dowries" had been taken care of down to the smallest detail with the contribution from Romiti (Fiat's man of finance) and under the watchful eye of "the Lawyer." Both Fiat and Ford were to subscribe 49 percent of the stock in the new Fiat-Ford corporation, which was to be directed by Ghidella. The remaining 2 percent would be "parked" at an international merchant bank (the Agnellis suggested Lazard). This solution, however, could be only temporary. After a number of years the block of stock that represented control would pass into the hands of one of the two corporations. Ford wanted a "protective clause" (to be kept secret) on the basis of which, within a certain period early in the 1990's, the 51 percent would belong to it. At that point not even Ghidella would remain in his job.

The negotiations bogged down at this point, and were broken off completely on 26 September in Paris. According to the WALL STREET JOURNAL, Gianni Agnelli realized that what was at stake in these negotiations was nothing less than the heritage of his grandfather and a tradition of leadership and supremacy in Italian industry. Moreover, the proposed arrangement would have resulted in the eclipse of a man such as Cesare Romiti, who had arrogated to himself the considerable glory of having defeated the union and accordingly reestablished Fiat as the center of the economic and financial power structure--and, we may (why not?) add, the political power structure as well, at least in the sense that no political party in the government would have been able to act in opposition to Fiat and, perhaps, not even to do without its support. A man, in other words, who is not easily sidelined.

"We were each too strong to be able to yield control to the other," the two rivals commented. It is just that they now risk becoming too weak to be able

to propose a new understanding of equal strategic importance (it was thought, for example, that the "Fire" motors could be installed in the Ford Fiesta and that a joint model could be designed to replace the "Ritmo" and the "Escort"). Indeed, no sooner did Fiat "descend from the throne" and begin to think about its own future than it realized it had already gone as far as it could in effecting restructuration based on cutting the work force and increasing output per worker. It is difficult to squeeze anything further from the workers, and robots cannot be introduced everywhere and endlessly. Moreover, the savings obtained by reducing the costs of the production factors are no substitute for economies of scale and of themselves do not expand the market. What is needed is investments, ever increasing investments, at an accelerated rate. What is needed is science, technology, creativity. And international alliances are necessary.

If a grand marriage cannot be arranged--they are saying today at Fiat--then it is better to obtain the equivalent in the form of a number of small agreements. The contacts with Ford are continuing in the area of commercial vehicles (trucks and vans). However, the agreement reached with General Motors has perhaps greater possibilities, whereby GM has taken over 20 percent of the shares outstanding of Comau Productivity Systems. This corporation--which is controlled by Fiat USA--is the distributor in the United States for the robots and machine tools manufactured by Comau-Fiat.

Table 1. The Productivity Picture at Fiat

	<u>1980</u>	<u>1984</u>	<u>Est. 1985</u>
Employees	272,984	230,665	232,000
Fiat Auto employees	134,621	89,671	82,900
Hours worked	249,463	155,571	
Hours lost to alienation	31,761	12,447	
Hours lost to strikes	18,019	1,019	
Hours CIG	20,408	55,918	
Hours worked per employee (exclusive of CIG)	1,822	1,747	
Sales per employee (millions of lire)	52.9	110.7	114

Source: F.I.T. (Milan)

But the most spectacular agreement in the automobile world to this day concluded (also with General Motors) to produce Cadillac bodies at Pininfarina. Alitalia will transport to Turin, in the coming 6 months, a total of 40,000 bodies produced at Pininfarina; these bodies will be mounted on Cadillac in Detroit. It will be a permanent air bridge, flying unimpeachable planes. It could be the first step toward the final and definitive pact proposed on a world basis. Although it is still too early to analyze more, it is monitoring developments with interest. However, General Motors is taking air more internally at Europe and--after the failure of the Fiat-Ford marriage negotiations--at Turin in particular.

"Fiat could have another 2 or 3 years of good profits from their automobile division, but then their problems would begin again," was the pointed comment of a veteran Detroit manager. According to the studies done by Cesare Marchetti for the International Institute for Systems Analysis (the IIATA of Laxenburg, Austria), by 1990 the world market for automobiles (at least the market that we know) will be saturated. The growth curve will tend to flatten out; the fight of the contending parties over dividing up the pie will be a fierce one.

[14 Jan 86 p 2]

[Text] Business Advertisement: "Italy, Inc, for Sale..." Entire Sectors in Foreign Hands, While Fiat, Pirelli, and Olivetti form Foreign Alliances

They have called it "merger mania." Indeed, between 1984 and 1985 a race to concentrate was unleashed: a spate of trading in stock shares and companies that has few equals in the history of modern capitalism. The wave of trading began in the United States, where it has assumed proportions such as to trouble the Federal Reserve; but it has involved all the principal European countries (from Great Britain to Germany, to France, to Italy) and--for the first time--Japan as well. In the United States the total value of mergers increased tenfold: from \$12 billion in 1975 to \$122 billion in 1984, while the total for the year just ended approaches \$200 billion. Consider that just the acquisition of RCA cost General Electric \$6.3 billion in cash. In Great Britain the figure went from 262 million pounds in 1981 to 8.2 billion last year. In Germany we have just witnessed the largest private empire in the country, that of Friedrich Karl Flick, pass into the hands of the Deutsche Bank.

This process of concentration is accompanied everywhere by a closer international integration. The market for companies is henceforth truly a world market. It is increasingly difficult to know whether behind a domestic purchaser there may not be operating some foreign finance corporation or other foreign company. The Japanese episode is symptomatic: first we witnessed the attempted acquisition of Sankyo Seiki (precision machinery) by Minebea (ball bearings), only to discover later that Minebea itself was about to be acquired by an American finance corporation, Trafalgar Holdings.

The protagonists of this gigantic "monopoly" are certain personages who in the United States are called "raiders" and are characterized by their quick raids on the stock exchange and their scant interest in the industrial or nonfinancial content of the operations in question. They are Irwin Jacobs; Carl Icahn (the new owner of TWA); James Goldsmith; and Ted Turner, who after having attempted unsuccessfully to raid CBS (the third American television network) did take over MGM, the famous Metro-Goldwyn-Mayer. These individuals operate using the logic of "casino society"--as BUSINESS WEEK has called it--and are applying this logic outside the United States as well. On the other hand, throughout the 5 years of the expensive dollar these foreign companies actually cost the great American corporations mere pennies. Acquiring companies is very often a way to make a profit and not just a way to employ profits already earned in productive activity: the wealth of the stockholders is increased; a

financial inflation of profits is created by absorbing the assets of others; and very often a means is found to divest oneself of the debt incurred. In fact, a mechanism for acquisition has been developed whereby the assets of the companies of which one intends to become the owner are used as security for the funds borrowed (this is called a "leveraged buyout"). It was precisely to oppose this perverse mechanism that Paul Volcker, Chairman of the Federal Reserve Board, has intervened. The fear is that this exchange of debts will have the effect ultimately of creating merely so many fragile houses of cards.

It may be, however, that considerations of industrial strategy lie behind this race to concentrate. Let us look at some of them.

The automobile industry is tending to diversify toward two sectors of the "big future": aerospace and electronics. General Motors has accordingly bought Hughes Aircraft and Electronic Data Systems; Chrysler has acquired Gulfstream (space); and the German Daimler Benz has acquired Dormier (space) and AEG (electronics). Fiat has taken full control of SNIA (space and chemicals) and is entering the British Westland (helicopters) while already possessing an important aeronautical and military sector; it has just concluded an agreement between its Telettra [Electronic Telecommunications] and the American SISI [Telephone Finance Corporation] (of the Bell Telephone system). This is extremely advantageous for Fiat itself. And at the Linari conference, Gianni Agnelli explained very clearly what he wants his projection for the near term to involve: the big business (or presumably such) of Star Wars. Moreover, it is being said that he already numbers among his consultants Reagan's former national security adviser, the "marine" Robert McFarlane.

The food industry has truly been turned upside down by this process of concentration. In the big business sector, there are the mergers between Reynolds and Nabisco (which had already been integrated with General Brand [as published]); between Philip Morris and General Foods; and between Nestle and Carnation. Meanwhile, one of the two most typical American conglomerates, Beatrice (whose activities range from Playtex brassieres to fruit juices), is demonstrating the fragility of its financial expansion, which was carried out without benefit of any clear industrial criteria.

The stirrings of this renewed vitality in the food sector have extended as far as Italy: Nabisco has acquired Piletti; Kraft has taken control of Inverziozzi; General Foods has bought Simmenthal; Heinz has absorbed Sperlari; Campbell's owns 50 percent of Lazzaroni; and Landy Freres belongs to Winefood.

De Benedetti's CIR acquired Buitoni-Perugina, snatching it away from Gervais-Danone; attempted to take SME from the IRI; and then entered into negotiations with Beatrice, which is, however, in the process of changing its ownership structure.

The electronics industry is tending increasingly to merge with the telecommunications and information industry. The phase in which small businesses hold a monopoly on technology and therefore enjoy a competitive advantage (such as Apple in the field of personal computers) appears to be at an end. The great colossi have returned to the front ranks in the field of "consumer" products as well,

thereby validating Schumpeter's view that in the start-up phase of a new sector the still small--but strongly innovative--entrepreneur is the protagonist, whereas in the mature phase big business is destined to take his place, and the market to change from competitive to oligopolistic. The "giants" of electronics--once their own leadership in the basic sector is consolidated--project themselves accordingly toward the contiguous sectors. The most striking operation of this kind is the acquisition of RCA by General Electric.

Without doubt, the protagonist in this search for closer international ties--ties that will make it possible to enter difficult markets and project into contiguous sectors--has been Olivetti. After AT&T acquired a 25 percent share of Olivetti's capital stock, which can be increased to as much as 40 percent (the effects of this on the equilibrium of control will not be seen only after several years), Olivetti acquired the Acorn computers (British); increased to 100 percent its share of Logabax (French); acquired a block of stock in Start computers (German); and concluded an understanding with Bull (French) to found a new corporation, headquartered in France, for the production of automatic banking systems. In Japan it has concluded agreements with Toshiba, which has acquired 20 percent of Olivetti Japan.

Lastly, the pharmaceutical sector--extremely important for the utilization of the new biologic and genetic technology--has been the prey of the more powerful. This is particularly true in the case of Italy. As a matter of fact, Fumbeletti has passed to the British Beecham; Italchemi to Glaxo (also British); Almirall to Sterling Drug (United States); Fitochemica to Du Pont (United States); Pierrel to Fermenta (Sweden)--and one could continue the list of those who have "fallen" to the relentless pursuit of foreign control. Suffice it to say that the multinationals own 60 percent of the Italian pharmaceutical industry. On the list of the 10 top manufacturers in Italy we now find Glaxo, Almirall, Bayer, Geigy, and Roche.

What is Italy's position in all this global mixture? Italy has become ever more closely integrated into the world market. This phenomenon is already well known with respect to trade in merchandise, but it is equally true with respect to the movement of capital. A policy of high interest rates, and a manipulation of the exchange rate of the lira (which has made the latter even weaker against the dollar and relatively strong in the EMS), have favored the inflow of foreign capital. This capital has served to finance the disequilibrium in the balance of payments and in part the government deficit, but it has also been converted into credit and into the acquisition of companies (as we have noted). The result has been that in some sectors such as food and pharmaceuticals, Italian industry is now controlled by foreign firms. In the field of electrical appliances, the largest Italian group (Zanussi) is now owned. This "passive internationalization" has accordingly been massive if not predominant.

Fiat, Olivetti, and Pirelli are the only big companies to have an active role in this process. But the danger is that in substance the agreements they are concluding with foreign firms will ultimately typecast them as subcontractors of goods or personnel of a relatively low technological content. In that case, a substantial degree of subordination would be manifested on their part--and

that is something quite different from occupying interstices in the world market that were perhaps limited but nonetheless strategic (as the small and medium-sized clothing industry--the "made in Italy" industry--did in the 1970's). Dangers of this kind exist in the role assigned to Italian industry in the "Star Wars" project--and even in the Olivetti-AT&T agreement itself. It is a risk that is linked not to the "perfidy of imperialism" but to the structural characteristics of the sweeping restructuring of the capitalist economy.

Table 2. Growth of American Corporations in Italy (1982-1985)

	<u>1982</u>	<u>%</u>	<u>1985</u>	<u>%</u>	<u>Difference</u>	<u>%</u>
Total of firms considered	723	100	868	100	+ 145	20
Activity: Industry	343	47.4	376	43.3	+ 33	0.6
Commerce	216	29.9	264	30.4	+ 48	22.2
Services	164	22.7	228	26.3	+ 64	38.7
Headquarters	311	—	381	—	+ 155	—
Based in Italy	27	—	30	—	+ 3	—
Total sales	222,245	—	—	—	—	—
Sales in the South	47,435	—	51,115	—	+ 3,680	7.7
Distribution of personnel (number of firms)						
Up to 50 persons	324	45.7	433	50.7	+ 109	33.6
51-500 persons	297	41.9	322	37.6	+ 25	8.4
501-1,000 persons	49	6.9	54	6.3	+ 5	10.2
More than 1,000	39	5.5	46	5.4	+ 7	17.9
Sales (millions of lire)	25,598,437	—	53,255,915	—	+ 27,657,478	—
Export sales (millions of lire)	3,784,595	—	7,025,291	—	+ 3,240,696	—

Source: U.S. Chamber of Commerce

100%

SSN: 3528/76

ECONOMIC

SPAIN

GROWTH SEEN IN INFORMATION SERVICES

Madrid ACTUALIDAD ECONOMICA in Spanish 27 Jan 86 pp 57-59

[Article by F. Garcia Martin: "The Seven Greats"]

[Text] When data processing equipment began to be smaller, cheaper, and easier to handle, it was claimed that the data processing service companies' days were numbered. Not so: it is a sector that is continuing to grow. Last year, its business amounted to 45.775 billion pesetas.

When television erupted in millions of households, the "prophets" predicted the demise of the movie industry. But many producers are accruing large profits by making films for the small screen, and no one doubts that making good movies will continue to be profitable. Something similar has occurred in data processing.

The new "prophets" of the data processing market were mistaken. The programs and services surrounding the data processing industry are experiencing their most prosperous era. It is claimed that, within a few years, the value of services sales will exceed that of the equipment. During 1984, in Spain, 20 out of every pesetas spent in the sector were used to purchase services. It is difficult to make a very accurate estimate, because there are data processing equipment manufacturers who also sell services, and vice versa, but the information is reliable.

The major equipment manufacturers have decided to distribute their income in halves, putting it in the two businesses. IBM had an approximate ratio of 30 pesetas of income from services for every 100 pesetas from its sales in Spain during 1984. A year later, this proportion was 17 pesetas for every 100 based on sales. In Europe, the companies engaged in data processing services received \$12.951 billion from their sales in 1984. During the same fiscal year, the business in Spain totaled 45.775 billion pesetas.

The Greats in the Business

It is a tantalizing market, in which seven companies have taken the lion's share: Entel, Sabadell Calculation Center [CCS], Seresco, Ibermatica, CTI, Logic Control and Eria. In 1984 each did business exceeding a billion pesetas.

Entel, which had sales valued at 2.965 billion pesetas in 1984, has billed 4.400 billion pesetas this year; and, among the seven, they hold more than a quarter of the Spanish market.

Florenci Bach, manager of Sedisi, an association of data processing services firms, comments: "This year, the service companies have grown more than 25 percent." This increase may possibly have been less than that in the sales of the equipment manufacturers. The most important ones in the sector have increased their billing over 30 percent in comparison with their 1984 sales.

According to Entel sources, "In the past, in the offers for selling data processing all that was considered was the value of the machines. But services have increased greatly, and we are confident in the future of our business." The firm, controlled by Telefonica and, in turn, owner of 35 percent of the capital of Ibermatica, another one of the greats in the market, is not incorrect. According to the same sources, Entel accrues over 80 percent of its income "from program development." And, although it does 38 percent of its business with Telefonica, it has diversified in all sectors.

Data Calculation and Processing (CTI) has also profited greatly from the development of its own programs. Participating in it are the American company, Control Data, and the Urquijo Union Bank; and it has been in the sector for 20 years. Its specialization in the financial system has not prevented it from entering other markets successfully; just as the Catalonian firm, Logic Control, has. The development of this firm reflects the progress of data processing services in Spain. It was founded in Sabadell (where CCS, the second-ranking company in Spain for sales, is located) to provide calculation services to business firms; but, within a little over 10 years, it has enhanced its tenders with other possibilities: development and program sales, in addition to guiding and selling in the field of microcomputers.

Eria, which belongs to INI, also has data processing systems at the disposal of all sectors, although its penetration into companies has traditionally been stronger. The company has just signed an agreement with Eurosoft to exchange technology and open new markets through a new firm that will be created between the two companies. The opening of frontiers has been a constant feature in the data processing services sector. In fact, another one of the greats in Spain is Seresco, of the General de Service Informatique group, that has been operating in our country since 1962.

The future is open for these companies. According to Florenci Bach, "It is a business that incorporates a great deal of value added, and new opportunities will not cease to emerge." Fields such as telecommunications or the electronics industry appear to be more than fertile for the data processing services firms to play a considerable role. "The move from industrial production of the same things to production of individualized things, aimed directly at the end user, will be possible, to a large extent, because of the presence of these companies. The services sector has been the seed for the data processing centers in many

business firms, banks and decision-making centers. And there are also people trained to deal with industrial processes."

New Horizons

The gold-mine is not depleted: The companies which have purchased their equipment instead of contracting their processes to another firm still need data processing services. In an industrial area such as the Basque Country, where the companies are highly mechanized, there is increasing activity relating to data processing. Uldata is a good example. Founded in 1982, at the height of cooperativism in Mondragon, it is present in Bilbao, San Sebastian, Vitoria, and Madrid, and has its business assured. According to an internal study, 90 percent of the Alava companies with over 100 workers have already become mechanized; in Vizcaya, the proportion is 80 percent, and in Guipuzcoa, 78 percent. How is business done? "We have avoided installing a data processing center," notes Uldata's general director, Roberto Gracia. "We prefer to develop programs for minicomputers. The company has devoted itself to the supplying of systems engineering, turn-key projects, and company control programs. The management data processing is already provided for; now, the business lies in the realm of production control." The statistics tell better than anything else whether this policy has been successful: sales amounting to 380 million pesetas in 1984, and 476 million in 1985; and, according to the forecasts, Uldata will bill 640 million pesetas next year.

Empresa	(3)	ESTOS SON SUS PODERES		(4) (5)
		Ventas 1984	Ventas 1983	
ENTEL	2.965	2.387	6.5	
C.C.S.	2.660	2.324	5.8	
SERESCO	1.902	1.700	4.1	
IBERMATICA	1.499	1.316	3.3	
CITS	1.380	1.213	3.0*	
LOGIC CONTROL	1.260	942	2.7	
ERICA	1.115	767	2.4	
TOTAL	12.709	10.783	27.8	
TOTAL SECTOR	45.775	36.840		

Fuente: CRESTEL. Las cifras en millones de pesetas.

Key to Table:

1. These Are Its Powerful Ones
2. Company
3. 1984 sales
4. 1983 sales
5. % of the market in 1984
6. Source: CRESTEL. The figures are in millions of pesetas.

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